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*What Will Happen
and
What to Do*
WHEN WAR COMES

*What Will Happen
and
What to Do*

**WHEN WAR
COMES**

EDITED BY
LARRY NIXON

BY
ELMER C. WALZER
C. NORMAN STABLER
JACK FOSTER
W. W. CHAPLIN
MALCOLM LOGAN

THE GREYSTONE PRESS
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Editor's Preface

THIS BOOK is the result of a woman's anxiety. Alarmed by the headlines, she wanted to know what would happen to her child, her husband, and lastly, herself, in case we should try to solve any of the world's problems by recourse to war.

Each of her questions set up a train of other questions. For instance, "What good will my son's endowment insurance be?" might seem, on the surface, to be a query easily and readily answered, yet it led through an explanation of the effects of the post-war inflation in Germany, the devaluation of the dollar, the clause in many mortgage contracts that gives the holder of the mortgage the right to refuse full payment of the principal ahead of schedule, etc. And these in turn raised other questions—questions having a direct bearing on our daily lives in time of war, questions about food supply, malnutrition, disease, housing, clothing, jobs, savings, investments and the like, as well as questions about air raids, evacuation of cities, poison gas, and the other horrors of "civilized" warfare.

The point is made by one of the authors that had the Powers in 1914 known what conditions would be like only three years later, in 1917, they would have hesitated before engaging in a conflict which brought nobody anything—except a bill that staggers the imagination, an intensification of our manifold economic problems, and a generous increase in the world's store of hatred between nations.

EDITOR'S PREFACE

This book, then, is an effort to make plain to the average citizen what conditions will be like in the long years that will make up the next world war, an exploration of the facts and theories that heretofore have either been obscured, suppressed, or presented in a fashion acceptable only to scholarly historians or technicians.

In choosing the authors for the various sections, the editor has turned to men he knows personally, men whose judgment he trusts, men trained in explaining difficult facts graphically and vividly in a manner every newspaper reader can understand.

The subject lends itself to sensationalism, but a conscious effort has been made to reject everything not open to proof or demonstration. The facts reported have been very carefully checked. The theories advanced represent a consensus of the authorities and experts in each field. What remains will, in many cases, prove sensational to the reader. In the opinion of authors and editor it is justly so.

LARRY NIXON.

NEW YORK, 1939.

The Editor and The Authors

The Editor and the Authors

LARRY NIXON, editor of *What Will Happen and What to Do When War Comes*, learned his letters from a type case in his father's newspaper office in Louisiana.

Born in New Orleans, La., Mr. Nixon has been a resident of New York City for 18 years. He served in the Navy for a few months during the World War and spent the year after the war in St. Louis as editor of *The Bean Bag*, one of a group of food trade journals.

He is author of *Vagabond Voyaging* and has been a frequent contributor to national magazines and the trade press. For some years he was editor of *Radio Dealer*, later being editor and publisher of *Air Transportation*.

Employed on newspapers in Alabama, Louisiana, North Carolina, New Jersey and New York at various times in his career, Mr. Nixon for the past five years has been associated with radio, acting as special events director and news editor of WNEW for two years, and as publicity director and news editor of WMCA for two years prior to his WNEW connection. He has been heard over the air a number of times on the networks and for some months last year did a daily broadcast over one of the local New York stations.

ELMER C. WALZER has been a financial editor almost as long as he can remember. A college reporter during his freshman year at college, he started with a summer

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job on the Rochester, New York, *Times-Union*. After a few weeks of odds and ends, Roy Kates, managing editor, told him to brush up on helping with the financial editor's job since the latter was leaving for Europe. He misunderstood Kates and took over the complete job without a hitch.

He worked as college reporter through his four years at the University of Rochester and in his last year was night editor of the *Times-Union*. After graduation, he tried his hand at teaching English and history at Wagner College, Staten Island. But the longing for typewriters and newspaper excitement proved too much and in 1925 he went to work as filing editor for the United Press.

The next year, U. P.'s financial editor left and Walzer was selected to fill the job. In March, 1926, his first day on the job, the market produced a three million share day, something rare in that period. Then came the start of the bull market that culminated with the crash of 1929. Walzer had three assistants. Increased demand came for financial news and he reorganized and built up the United Press Association's financial service until today its wires stretch from coast to coast and a staff of thirty men produce the "report."

Today, Walzer not only manages the financial service for the United Press around the world, but he also contributes the news of Wall Street to the Service. His daily column, "Financial Gossip" is printed in large papers from coast to coast. In addition he writes the United Press "Final Lead, Stock Market" each day of the week.

Kings and queens may visit the country, war scares may take the top headlines from coast to coast, fire, murder, and disaster may fill the news columns, but that "Walzer

THE EDITOR AND THE AUTHORS

Final lead" rides the wires ahead of every item each day just before market closing time. It is "must" in all relays. It is cabled round the world and translated into many foreign languages, including the Oriental because come what will, the world must know the latest word from Wall Street, hear the final figures of the market that mirrors the financial status of the nation.

In his chapter Mr. Walzer translates the language of the financial world into phrases easily understood by all. He also explains the reactions of the money powers, tells how war will be greeted, how the problems of war will be met.

Known for his keen analytical digests of the financial news of the day, Mr. Walzer is eminently fitted to tell what will happen to your stocks and bonds and other holdings, *When War Comes*.

C. NORMAN STABLER joined the financial staff of the *New York Herald Tribune* in November, 1925, and three years later was appointed assistant financial editor. He became financial editor in 1929, when he was twenty-eight years old—the youngest man to hold that important post on any of the great American daily newspapers.

Prior to his appointment to the post of financial editor, Mr. Stabler had five years' experience as a writer and editor of financial news, and in that period gained a wide acquaintance with leading Wall Street figures.

Mr. Stabler graduated from Swarthmore College with a B.A. degree in 1923. After working as a staff man with the Philadelphia *Evening Bulletin* during summer vacations, he took a full-time job with that newspaper at the close of his college career. He entered the employ of the

THE EDITOR AND THE AUTHORS

Associated Press in New York early in 1924 and gained his financial reporting experience with that organization. Late the same year he went to the *New York Journal of Commerce*, covering the utilities and railroads.

As a financial reporter, Mr. Stabler gained experience in all of the principal financial news fields. As financial editor, his tenure has extended from the boom period in 1929, through the panic late that year and through the subsequent depression to the period of New Deal restraints on Wall Street—years more crowded with financial news than any other period of similar length in the country's history. Mr. Stabler is the author of a well known book published by the *Herald Tribune* entitled "The Financial Section of a Newspaper."

JACK FOSTER has been a newspaperman for seventeen years. At 33 he is assistant to the executive editor of the *New York World-Telegram*.

His newspaper experience began on *The Cleveland Press*, a Scripps-Howard newspaper, where he served as sports writer, general reporter and rewrite man.

In 1926 when Scripps-Howard bought *The Rocky Mountain News* and the *Denver Times* and combined them with their own *Denver Express*, he was sent to Denver as general reporter and rewrite man. There he served for over two years as book editor, columnist and writer-of-subjects-in-general. He went through the hectic days in Denver when Scripps-Howard was battling for supremacy against the *Denver Post*, published by Fred G. Bonfils. These were the days, described by Gene Fowler in his "Timber Line," in which everything from

THE EDITOR AND THE AUTHORS

gasoline to sacks of potatoes was given away for want-ads.

In the spring of 1929 Foster was brought to New York to start a radio column on the *New York Telegram* at the time that networks were being formed and were becoming a tremendous factor in American life. Subsequently he served as feature writer and feature editor on the *World-Telegram*. Foster spent the year 1936 in a trip around the world that took him from Capetown to Harbin, Manchukuo, writing descriptive and political articles for the Scripps-Howard Newspapers. His travels carried him to all the vital political centers in China, and he has written many articles on that great tortured country for the *World-Telegram*.

W. W. CHAPLIN has known war both as soldier and as war correspondent. He has seen both "civilized" and savage war at first hand and speaks with the authority of personal experience.

He has followed the news trails of peace and war over a large part of the world and has studied the life of the ordinary citizen under crisis conditions in both democratic and dictatorship countries.

A soldier in the A.E.F., he immediately afterwards turned to journalism. For the Associated Press he travelled in this country, Canada, England, Belgium and Holland as well as serving several years as City Editor in the headquarters New York bureau.

For Universal Service he covered Washington, including the White House and almost every other important capital "beat." For the same organization he served as chief of bureau in both Rome and Paris, being assigned

THE EDITOR AND THE AUTHORS

to stories which took him throughout Italy and France and to Switzerland and Austria. He was a correspondent with the Italian armies during the war in Ethiopia.

Since his return to New York his assignments have taken him all over the United States, to Mexico, every Central and all but one South American country, and to Hawaii and the Phillipines. At present he is a special correspondent, frequent radio broadcaster, and daily news commentator on world affairs for International News Service.

When he speaks of what will happen to you when war comes to America, he bases his opinion and predictions on what he has seen elsewhere.

Mr. Chaplin has seen the effect of gas in the trenches, in fact he was in a French hospital burned inside and out with mustard gas, when the Armistice was signed. A member of the artillery forces during the World War Mr. Chaplin more recently flew over the walled cities and desert camps of the primitive natives of Ethiopia as a war correspondent with the Italian forces. He lived in Italy for some time where among other things he made a special study of the secret police, observing first hand the effects of regimentation and the restriction of civil liberties.

During the World War he watched Americans die in droves from influenza and meningitis. After living for months in Africa in conditions where malaria, consumption, running sores and leprosy were commonplace, he himself fought a winning battle with amoebiasis, a tropical malady of the East. His story is the story of what will happen to you when war comes—told by a man who has seen it happen to others.

THE EDITOR AND THE AUTHORS

MALCOLM LOGAN was drilling with the Student's Army Training Corps—in a Baltimore, Md., high school when the Armistice was signed in 1918.

He found his first job in 1919 when ex-soldiers and ex-munitions workers were in hot competition with students for employment.

A newspaper man since 1920, he has handled many of the biggest stories of the day. He started his journalistic career on the staff of the Philadelphia *North American*, later being employed by the *Baltimore Sun* and the *Evening Sun* in his home city.

From Baltimore he came to New York to the Associated Press where his city editor was W. W. Chaplin, author of another section of this volume.

He came to the *New York Evening Post* shortly after leaving the Associated Press. Now top man on the *Post's* rewrite staff, he is regarded as one of the outstanding rewrite men in New York and an expert in the difficult field of trial reporting.

Stories of national importance which he has written for his newspaper include the visit of King George VI and Queen Elizabeth to New York; the racket prosecutions of District Attorney Thomas E. Dewey, including the two sensational trials of James J. Hines which he covered from the courtroom; the McKesson and Robbins scandal; the Richard Whitney case, and the trial of the civil liberties injunction suit against Mayor Frank Hague of Jersey City.

He has conducted a number of special investigations, including an exposure of the practices of the guaranteed mortgage companies of New York which collapsed in

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1933 with tremendous losses to investors. He has been a contributor to a number of magazines.

He writes from the point of view of an American who came of age in the post-war world—lived continuously in the United States and observed closely every aspect of American life which can give some indication of what will happen in the United States after the next general war.

Chapter I

Your Property

By Elmer C. Walzer

Chapter I

Your Property

YOU AND THE PROPERTY you have accumulated down through the years by dint of saving will be only an infinitely small cog in a great machine when war comes to the United States.

That war machine, some of its cogs poorly meshed but all working, will be controlled by such a powerful dictatorship that the fascist and nazi chieftains will look upon it with awe and envy.

Under the dictatorial rule that will prevail you will be told what to do and when to do it. You will be examined; your property will be examined. You and your assets will become part of the assets of the nation, to be used as war needs require.

Records will be made for the government files showing what you own, how you can help. These records will be produced when the government needs money to finance the war. You will be told how much to pay, how many government bonds to buy, when to buy, when to make payments.

You will be card-indexed and tabulated and from the records on your card you will be placed where you can do the most good for the cause. At least your

placement will be where the pawns of dictatorship choose to place you. That may not be just or logical in every case, but you will have to accept. The individual and his individual property rights are of little importance. Such is the way of war in these times.

What of your property? What if you own stocks or bonds? What if you own real estate? What will become of your insurance policy? Will the government take your house and lot? Will the government seize your cash? Experts say nothing matters in war time. Winning the war is the important thing. The individual is of little moment.

Let us examine the World War developments and then try to decide how extreme things will be in the event of another conflict.

Statisticians cold-bloodedly tell you that the last great war—the World War—cost the nations involved twenty million lives. That is the population of our two most populous states, New York and Illinois. It is about one-seventh of the population of the United States.

Mere figures mean nothing in talking of such enormous loss of life. Statistics do not tell of misery, suffering, privation, terror. Many of those who died were civilians far from the field of battle. They lost their lives because doctors were at the front, because medical supplies were diverted from civilian to military centers, because there wasn't enough food to keep body and soul together, because of heatless days and meatless days. In another war these same things

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can happen. There can be epidemics like the influenza of the last war. In fact, the loss of life may be greater because the means of destruction have been "improved." Bombs are bigger, more costly, deadlier. The airplane now rains death from the clouds.

Many an estimate has been made of the money loss involved in the World War. Any such figure is but a guess because no one can place a value on human life. Suppose, for the sake of calculation, we assume that each life lost in the World War was worth \$6,000. That would make the total loss in lives amount to one hundred twenty billion dollars. Add to that the estimated property loss and the cost of munitions and the myriad other expenditures and you have the inconceivable sum of four hundred billion dollars.

To understand the magnitude of four hundred billions try to count it. If you started to count at the time of the birth of Christ at the rate of one count every second, twenty-four hours a day steadily to the present minute you would still be several thousand years from your goal. It would take you another ten thousand years to count the remainder. You couldn't count it no matter how you tried.

Look at it another way. Income for the entire United States from all business, dividends, interest, etc., at eighty billion dollars is considered the level at which this nation would be enjoying real prosperity.

Four hundred billions would be equal to five years of such a high income, or 390 per cent greater than the best income year in the country's history—1929

when income produced amounted to \$81,128,000,000.

If you had four hundred billion dollars you could endow more than three thousand colleges of the type of Harvard University, thus providing higher educational facilities for 24,600,000 students and employment for 5,310,000 professors. Or you could build more than two thousand five hundred exact duplicates of the New York World's Fair. Or you could build a twelve thousand dollar home for every family in the United States. Or you could buy all the stocks and bonds listed on the New York Stock Exchange, thereby gaining control of all big business in the country, and have enough money left over to pay the national debt and to run the Federal Government on a normal peace time basis for sixty-seven years. If the four hundred billions were placed at interest at five per cent, it would yield annually the sum of twenty billion dollars, or enough to pay every family in the nation more than three thousand dollars a year, or about sixty dollars a week.

All of the foregoing is purely fiction. There just isn't that much money in the world! Where, then, did it come from in World War days? The people paid part of it from their savings. The Germans lost all their money to help swell the total. Each country contributed in real money, in goods. The remainder of the cost was in investments made over the years, in property, and of course, the loss of life. In other words, the war wiped out billions in capital built up over a period of many years. It thus set our economic

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status back for generations. We are not yet through paying for that war. This generation never will get the 1917-1918 bill cleaned up.

Another world war will cost more. Everyone from the congressman to the capitalist agrees on that. The question of how much more is debatable, but likely two or two and a half times. The latter would bring the total cost to exactly a trillion dollars—a million million dollars.

And what is more, the prospective combatants will enter the conflict with debt structures that already are staggering. Our own national debt built up under a theory of spending our way out of depression amounts now to around one-eighth of the entire cost of the World War. In 1914 when the European nations began to fight, we had a national debt of around a billion dollars, only two per cent of what we now owe.

Since the stock market crash in 1929 the American people have lost many billions in investments, in savings. Yet we have some left. That together with what we can earn will be gobbled up by the government in event of another war. Actual confiscation of cash and property is a distinct probability. It may not be done so directly; the confiscating process may be a bit subtle, such as "borrowing" what the government sees fit to take, or forcing one to buy government bonds . . . but it will still be confiscation.

As proof confiscation or its twin brother is being considered, look at the terms of the Lee Bill, brain

ELMER C. WALZER

child of Senator Josh Lee, Democrat of Oklahoma. Under that bill, the President of the United States is empowered to order a census to be taken of the net wealth of the country as soon as Congress has determined that war is imminent or a situation has arisen which, in the judgment of the President is sufficiently serious to necessitate the drafting of man power for the army.

All citizens together with aliens would be required to make a sworn statement to local boards, set up somewhat on the order of the World War draft boards, as to their net worth. The government, thereupon, will take the aggregate net worth figure to calculate the percentage of government bonds each person will be forced to take. These bonds will run for fifty years and will pay not more than one per cent.

Penalty for failure to take the number of bonds allotted would be a heavy fine, imprisonment, or both.

Under the bill, the bond purchases will have to be made by persons having a net wealth of more than \$1,000. Up to \$1,000 in net wealth is exempt. Those owning between \$1,000 and \$10,000 will have to subscribe five per cent of the excess over \$1,000. The buying requirement graduates upward at a fast rate until it amounts to 75 per cent on a net worth of one hundred million dollars.

The object of the Lee Bill as set forth in the report accompanying the measure is described as follows:

“The purpose of this legislation is to provide for the drafting of the use of money in time of war ac-

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cording to ability to lend to the government. The enactment of the bill will be a deterrent to war in the sense that it will make war less profitable. When wars are no longer profitable they are not so likely to occur. Though the causes of war cannot be completely overcome through a sane approach to a solution of the factors occasioning wars, we can reduce wars to the minimum and prolong the periods of peace. In the event of another war, this measure would operate to distribute the burdens of the war in the sense that each individual would be called upon to lend to the government according to his ability to lend. From the World War we learned that the only fair, just, and democratic way to raise an army is by a selective draft of manpower. The enactment of this bill, therefore, is in the interest of our national defense in the sense that it provides a fair, just, and democratic way to finance war through a similar draft of capital."

Bills equally drastic are ready to take the profit out of war. The government already has limited the profits of the airplane makers and is preparing measures to handle all other lines in a similar manner.

Then, too, restrictions will be imposed against any business that does not contribute directly or indirectly to war supplies, to the bare necessities of the civilian population.

Raw materials will be parcelled out to factories, hours of work set, even the hours during which certain products can be offered for sale will be prescribed—not alone for alcoholic beverages as is the case al-

ready, but perhaps for sugar, for butter, for tobacco and even meat.

As noted in the Lee Bill, the government aim would be to soak the rich. In that soaking process, the little fellow—you and I—would get a harder soaking.

What if we own stocks? Unfortunately, it is usually the small stockholder of the middle class group who is hardest hit by the laws designed to affect only the very wealthy. The wealthy have at their command the advice of high-priced lawyers, experts in finance, experts in business. Most of the time the wealthy can guard against losses. They can invest where it is least risky. Not so the average man. He cannot afford counsel; he must be his own legal and investment counsellor. He hasn't sufficient funds to diversify his investments—place them in different parts of the world in different industries.

Let us look at the situation which prevailed when the World War broke out. Economists will tell you a backward look is futile because things today are different, and that the rules of 1914 are not applicable. That is open to argument. After all, the human element makes or breaks a market. And human nature doesn't change very rapidly.

In 1914, the stock market was ambling along at a leisurely pace. A 300,000-share day was exceptionally large. Prices moved narrowly. A point or two was the limit of fluctuation in the industrial average. Then came the war and instantly the orders to sell stocks poured in from every part of the world. Europeans

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especially were panicky. They wanted to sell their holdings here and take the cash home because they didn't know what was going to happen. When stocks are offered in large volume, prices break sharply because prospective buyers can be difficult to please with regard to purchases. They will buy only at wide price concessions and since people desire so very much to sell, the person who might buy can make his own terms. It works much the same as if you wanted to sell your home hurriedly and couldn't take the time to find a buyer who would meet your terms. You would have to take what was offered and be content.

As proof that the 1914 incident can be duplicated today, look back only a short distance in the history of markets. Take September 28, 1938, for example. On that day the Czechoslovak incident was in the forefront of events. Premier Neville Chamberlain of England was addressing Parliament on war possibilities. It looked as if Adolf Hitler would precipitate another world war. The Parliament was tense. Chamberlain nervously recounted what had transpired. He might have been preparing to ask for emergency measures to cope with a crisis that might develop.

As Chamberlain was speaking stock markets throughout the world crashed. Rumors circulated that war was imminent. Securities were offered for sale in such volume that buyers could not be found in sufficient numbers to take them. On the New York Stock Exchange, losses ranged to four or five points which means \$400 or \$500 per hundred shares and soon runs

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into billions of dollars for the market as a whole. The volume of transactions was so large that the new high-speed electric tickers designed to handle markets of five to ten million shares were unable to keep pace. Wall Street was in turmoil. It seemed as if a market panic would develop. There was talk of closing the exchange, or of imposing restrictions on trading.

Transatlantic cables and radio communications kept the financial district informed of every move abroad. Premier Chamberlain's words were transmitted almost the second he uttered them. As he spoke the situation seemed to grow worse. The democratic nations of Europe had agreed to aid Czechoslovakia in event of aggression against her. They might now have to keep that promise.

As he was speaking, some one handed Premier Chamberlain a cable. He glanced at it, stopped his speech and looked out over the assembled House of Commons. Silence prevailed. The tenseness was dramatic. He tried for a moment or two to read the cable but apparently was under too severe an emotional strain to do so. Finally he blurted the good news that Hitler had called a peace conference to assemble next day at Munich to be attended by the heads of the governments of Germany, Great Britain, France, and Italy.

Almost instantly that cable was flashed around the world. The second the United Press dispatch was flashed on the Wall Street financial news tickers, the good news was conveyed to the Exchange floor where

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brokers cheered loudly. Brokers' wires carried it to all parts of the nation. In a few seconds the decline in stocks stopped. Prices turned upward with more vigor than they had declined. Before the end of the day the losses that had ranged to more than a billion dollars in value of all listed issues had been replaced with gains that amounted to about one and one half billion dollars.

Thus it is that war fears bring demoralization to markets. Peace overtures work in reverse. Market men realize the tremendous losses that would be involved in a war. They know their capital will not be safe. They fear government domination of markets under the dictatorship that is bound to come along with a new war.

If war fears can demoralize markets, imagine what the actual outbreak of hostilities would bring. The selling orders would swamp the markets of the nation. If these "sell" orders were to be executed, they would break prices, probably bring panic, and certainly give business a needless chill that would seriously impair our economy for many months.

In the event of such a market panic, it is obvious that an injustice would be done to investors, to business men, and to our citizens generally. Such chaos would have to be averted. I would be very much surprised if it were not averted. The Stock Exchange will be kept running at least for the first part of any war that breaks out to help business sentiment and to aid the government in financing its part of the war.

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Price declines will be averted through imposition of severe restrictions. After the market has done its part in the early days of war, there is a possibility it will be closed, but in that event the government will be ready with a substitute for its own design.

In stock exchange procedure, we have a big advantage over 1914. Then we lacked experience and were not fully warned of any impending crisis. We had none of the government agencies that today are so well equipped to cope with a serious situation.

Today we have many of the men who actually handled the 1914 troubles. Their broad training has been enriched by years of experience after the war including the last few years when government supervision of markets has been a big factor. We have the Securities and Exchange Commission, a governmental agency which enforces the securities acts and has broad powers even to the extent of ordering, with the consent of the President of the United States, closing of the Exchange. In addition, we have the Federal Deposit Insurance Corporation which can prevent bank failures, a gigantic gold hoard and a two billion dollar stabilization fund which can be used to maintain our dollar in terms of world currencies.

No doubt the State Department and Treasury Department also would take a hand to prevent market troubles and to keep the markets running. Their interest would lie in maintaining our dollar, and in monetary relations with our allies. These relations

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may include working agreements on markets and on transactions in securities.

In 1914, the New York Stock Exchange and all other markets throughout the country were forced to close when the World War began. That was nearly three years before the United States took up arms. Every effort was made to keep the markets open; but exchange after exchange throughout the world closed.

On July 28, 1914, the day Austria declared war on Serbia, the Toronto, Montreal, and Madrid markets closed. Our stock market suffered a severe decline, but even so the trading element continued smug in the belief it could never happen here. On the following day, the exchanges in Vienna, Budapest, Brussels, Antwerp, Berlin, and Rome closed, while our stock market actually rallied a trifle. Traders still didn't believe we were facing a shut-down. On the 30th, the St. Petersburg (Russian) exchange, the Paris bourse, and all the South American markets closed. At last the people of the United States were waking up. They began to worry and to translate their worries into the dumping of shares on the New York market, with the result that prices crumbled.

Finally, on Friday morning, July 31, 1914, the London Stock Exchange closed its doors. Thus went the last bulwark of markets of the old world. No one believed it possible for this financial giant to capitulate. When it did, New York alone among major markets remained open. Naturally, anyone with a stock of

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American origin would turn to New York. Could it stand such world pressure? Fortunately, there is a five-hour difference of time between New York and London, five hours to prepare for action.

Such a time advantage was more theoretical than real. The first few hours of it went by with nothing done at all. Events had taken place with such rapidity that Wall Street was confronted with a major crisis before the full news of the war situation had been comprehended. The situation had been viewed lightly. Our market couldn't close, the experts said. It was nonsense to think that this great marketplace would be dominated by European sellers. Even the governors of the Exchange were unmoved. They had left town to obtain relief from the humid heat of midsummer. As a result it was not until 9 A. M. on Friday, July 31, 1914, that a quorum of the governors could be got together to take the momentous decision on closing the market.

At last 36 of the 42 governors assembled at the Exchange. Meantime, the big bankers of the financial district had become alarmed and also had called a meeting to work out a plan for the markets. Exchange governors wanted to work with the bankers and a telephone line was set up between the two meetings. For some reason or other, in the excitement, the bankers' end of the telephone line was not manned so that when President H. G. S. Noble of the Stock Exchange tried to call the bankers no one answered. Time was growing short. He hung up the receiver.

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Now the decision rested entirely with the governors. They were to vote action that would affect the entire financial life of the nation. They had no precedent. They only knew that a gigantic amount of selling orders hung over the market.

That meeting in 1914 actually got under way in earnest at 9:45 A. M., or only 15 minutes before the time scheduled for the opening of the Stock Exchange. During the first three quarters of an hour—from 9 to 9:45—while they deliberated, the governors were kept informed of the condition of things by the brokers on the floor of the Exchange. They were apprised of hordes of selling orders. Execution of these orders would break the market. It would bankrupt firms and individuals in every state of the union. Nevertheless, there were potent arguments against closing the Exchange. Closing would freeze loans backed by stocks, upset banking routine, prevent security holders from liquidating and obtaining cash funds, and interfere with business financing.

Time was growing short. Brokers already had assembled on the floor, tensely awaiting the action of the governors. The clock steadily moved toward 10 A. M. and opening time. Trading cannot be done before the official gong rings. President Noble summoned the official gong ringer and solemnly instructed him in no circumstances to ring that gong without Noble's personal instruction to do so.

Finally, the governors swung into action. In a few minutes, they passed motions to close the Exchange

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until further notice, to suspend delivery of securities until further notice, and to appoint a committee of five—four Exchange governors and President Noble—to work out the myriad problems the closing would involve. It was then 9:56 A. M., four minutes before the official opening time.

The decisions were flashed to the floor on the tickers and cheered lustily by brokers and traders. They seemed in complete agreement that closing was the proper decision. Not so the governors. Some of them had held out to keep the market open at any cost. Some of the bankers also resented the closing order but promised cooperation with Exchange authorities now that the decision had been taken. One banker sadly remarked that the closing would cost New York the chance to become the financial center of the world.

Well, today New York *is* the financial center of the world. The United States is a creditor nation. In 1914, it was a debtor. Today, the dollar stands highest among world currencies. In 1914, it was in a decline in terms of other monies. But regardless of these changes, the American markets still are vulnerable to heavy selling orders which a war will produce.

It is estimated that British investors own something like nine hundred million dollars of our securities—a sizable amount to dump on a market in event of panic. Citizens of other leading nations have invested large amounts in our markets. All those holdings are potential sales if war comes. British statesmen have warned

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against exodus of capital from London. It has affected the stability of the pound sterling. This summer Sir John Simon, chancellor of the exchequer, appealed to dealers and brokers not to quote American shares. The Bank of England likewise circularized the banks making a similar request. At the time this was written, there hasn't been heavy liquidation of British holdings, but they overhang the market and will be a big problem in the future.

Regardless of the amount of stocks and bonds of United States origin held by foreigners, the stock markets will be kept open. It would be simple to prevent dumping these shares by use of the same expedients adopted in the last war.

The lesson hammered home by 1914 is that closing an exchange does not solve problems; it makes more problems. Biggest of these is that without a market a value cannot be set upon stocks and hence these stocks cannot be used as collateral for loans. Thus business suffers, especially small lines where bank loans are a big factor. Secondly, when a market is closed it is very difficult to sell securities unless one is willing to take a big loss. Thirdly, with the markets closed, it is impossible to raise new capital through issuance of new stock and bond issues. No one will buy a stock or bond unless a value can be placed on it and without a market there is no way of determining value. Lastly, the New York Stock Exchange is a barometer of business, a sort of guide for the business man. Without it business slows down and fluctuates nervously.

Moreover, a big problem arises when people who hold securities try to sell them without an organized exchange. The big advantage of an exchange is that it brings buyers and sellers together. A market like the New York Stock Exchange, through the maze of the world connections of its members, brings together buyers and sellers from every part of the world. Naturally, then, one can obtain a fair price for his holdings. But when the exchange is closed, there is no such safeguard as large numbers of persons ready to purchase or sell. The person who tries to find his own purchaser usually finds one who will buy only at a big concession.

When stock markets are closed illegitimate markets spring up to take advantage of the desire of many persons to sell or buy stocks. These markets are known in financial circles as "gutter" markets. The word "gutter" has a bad connotation and that is just what it is expected to have. Those who sell stocks in these markets do so at a concession in price. They are willing to sacrifice price consideration because they are desperate to sell. The buyers who are usually the persons who run the markets know stock values and are willing to buy stocks when they know it is difficult to make a sale because exchanges are closed. They will bide their time and reap a large profit. It doesn't take long for "gutter" markets to get started because of the prospect for large returns to those who run them.

In 1873, when the Stock Exchange closed for ten

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days because of the panic, the problem did not arise. Previously, the Exchange had its troubles when, back in Civil War days, the "coal hole" market got started. It was so called because its day-time transactions were conducted in a basement in the financial district. At night the "coal hole" brokers adjourned to the Fifth Avenue Hotel and did a thriving business. In fact this trading crowd eventually did more business than the Stock Exchange itself and the Exchange did the smart thing by absorbing all the "coal hole" brokers. In the period of the bank holiday of 1933 when the stock market was closed for two weeks, a moderate amount of business was done in the "gutter" markets, but the Exchange managed to keep it within bounds.

The 1914 situation was different from those listed above. Here was a long period of closing. People needed money and had to sell stocks. The "gutter" market was the only place to sell and they used it at great loss. There will never be an accurate figure available on the number of shares of stock traded in the "gutter" markets in 1914 after the market closed. The Exchange enlisted the cooperation of the newspapers which refused to print the prices paid or the quantity of turnover in those markets even though the dealers would have welcomed such publicity. The volume of this trading increased as the time of closing lengthened. That we know, for the Exchange became thoroughly alarmed. Here were the legitimate brokers figuratively starving because they obeyed the Exchange's edict not to buy or sell securities, while out-

siders were reaping big profits at the expense of stock holders who needed money badly enough to patronize the "gutter" markets. Finally, the committee of five appointed to solve closing problems relaxed rules sufficiently to allow transactions at the same prices as those of the day before the Exchange was closed. The Exchange had to admit defeat in its campaign to prevent "bootlegging" of security transactions and steadily worked to reopen the markets.

On November 28, 1914, trading was resumed in bonds under restrictions. On December 12, trading was resumed in a limited number of stocks also under restrictions. And three days later, the restricted transactions were extended to all stocks. The restrictions were not removed until April 1, 1915. Meantime, the market had strengthened as the United States adjusted its economy to a European war. That adjustment included trade realignments, including shifts to South America in trade to take up the slack of business lost by the European blockade.

Restrictions were proscribed by the committee of five. They set minimum prices for each stock. At first these minima were the closing prices of July 30, 1914. They were steadily changed, and in some cases eliminated when this or that stock was able to function in its natural way. The Committee had to feel its way. It had no precedent on which to work. It was sharply criticized. Fantastic schemes were suggested, some of them by persons who were well acquainted with stock market procedure. One well-wisher advanced the idea

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of a campaign with the slogan "Buy a share of stock." Another suggested that the market be closed to Europeans and operated only for citizens of the United States. Somehow the Committee accomplished its job and was honorably discharged.

Another problem that confronted the financial district in closing the market had nothing to do with those who owned stocks, but it deserves mention. It was relief for the workers in Wall Street who automatically were thrown out of jobs when the exchange closed its doors. This relief problem was handled by private donations, and by heroic efforts, many successful, to provide new jobs. Incidentally, today in Wall Street a situation prevails almost as bad as that in 1914 in the matter of unemployment. There are more financial district workers jobless now than there were in 1914 because of dull markets, high rents, and high taxes which have brought a curtailment in other operating costs seldom witnessed in the history of Wall Street.

There are few similarities between the markets of 1914 and of those of the present day. In July, 1914, the index of stocks based on Standard Statistics tabulations was 60.5 per cent of the 1926 average which is taken as 100. Today this index is at 83.6. Trading in stocks was very dull until the day before the exchange closed in 1914. It has been very dull recently. However, in number of issues and shares listed, there is a marked contrast between 1914 and the present. In 1914, there were only 511 stock issues listed; today

there are 1,200. In 1914, there were 151,213,672 shares listed; today there are around 1,500,000,000. The increase in shares listed since 1914 amounts to roughly 900 per cent.

The short interest in 1914 was much larger than it is today. The short interest is the total of shares sold short—sold by persons who have borrowed stock in the hope it will decline so that they can buy it back at a lower price and return it to the lender. A person sells short when he believes the market is going to decline. The value of a large short interest is that it represents potential buying power. Wall Street has a little adage for the short seller, namely, "He who sells what isn't his'n, must buy it back or go to prison."

Markets of today hang in a delicate balance. Only a small number of offerings is sufficient to send prices down sharply. On the other hand, a moderate volume of purchases can just as easily bring a substantial advance. Such delicate markets are known as thin markets.

Thus it is evident that any large number of offerings of stock in event of a war would at least duplicate the chaos of 1914 if restrictions were not immediately applied. There is no doubt that the markets would follow the course of the 1914 method since that proved workable. A price was fixed below which the stock or bond would not be permitted to sink. Such a system prevents a sharp decline, even though it may slow the trading to a small percentage of what is considered normal. Nevertheless a market is provided for those

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who want to sell and the troubles of unregulated or of closed markets are eliminated. Fixing the price at a minimum level places a value on a stock or bond so that it can be used to provide backing for business loans at the banks.

Should speculation develop at the fixed minimum levels, that is should prices be forced up too rapidly in this or that issue by concentrated buying, the next step will be to set a maximum level as well. That can be easily accomplished by the Exchange or by the Securities and Exchange commission.

Meantime, indirect restrictions will operate. These will include schemes to take the profit out of war and thus make stocks and bonds less attractive. The State Department will evolve, with the cooperation of our allies, methods to prevent the dumping of European holdings of American stocks and bonds. No barrier will be set up if the Europeans wish to sell at or above the prices fixed. However, there will be preventive measures against dumping the stocks in "gutter" markets that can well spring up if the restrictions are severe.

The Securities and Exchange Commission can force the Stock Exchange to eradicate short selling, and the Federal Reserve can easily eliminate all margin dealings. A margin is the money deposited with the broker by an individual trading in stocks or bonds to safeguard the broker against a decline in the price of the issue. At present the Federal Reserve, which controls margins, demands the deposit of a margin of

40 per cent of the cost of the stock purchased. Thus if you wished to buy a stock worth \$100, you would deposit \$40 with the broker. He keeps the stock certificate as security for the remaining \$60 you owe and he charges you interest on that balance. Margins on short sales now are fixed at 50 per cent of the sale price of the security.

Obviously a market under restrictions such as those enumerated above would not be a free and open market, but it would be far better than no market at all. It would provide a place to sell securities and thus raise funds. It would help the banks and insurance companies which are large holders of bonds in that it would set a value on them and provide a market-place for replenishing of their holdings. Setting market values makes stocks or bonds good collateral or backing for loans.

Those who believe in the capitalistic system are convinced that in its workings a stock exchange is necessary. Recently fears have been expressed that radical elements in the country are working to change our economy to a socialistic one. Some even think the communistic form might be foisted upon us. Depression always produces a radical element and recently these groups have made no attempt to hide their desire to close stock exchanges permanently. However, war deflates the radical. Patriotic calls knit the people together, socialist, republican, democrat and even communist, to fight for the common cause. While the war

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is on there seems no reason to fear elimination of the exchanges.

We can assume then with considerable conviction that the markets will remain open in event of war. If the war starts abroad as it did in 1914, and there is an interim before we enter, you might have an opportunity to take a quick profit in the so-called war group. Bear in mind that as soon as war is declared abroad, even without United States participation, the markets will receive a severe shock. The restrictions planned in advance will be applied with vigor. There may be a period of several months before it is possible to lift them. Then elimination of restriction will come only if we continue to remain neutral.

Let us assume this interval and that the market has overcome its first shock of war. When it has done that, you may be sure the country will have gone through a period of readjustment in its business life, in its trade, and even in the routine of its everyday affairs. There will always be the fear of our entry into the war and all the uncertainties that will entail. However, markets often move higher in perilous times. Given half a chance there will be another rising market before we enter the war.

Such a rise will give the nimble trader an opportunity to take a quick profit if he selects the right stocks. Now there is the rub. Anyone can select the war groups. They are munitions companies, steel, petroleum, copper, and food companies. But there is

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no certainty that all of the stocks in these groups will participate in the rise. This or that company may be more aggressive in obtaining war contracts and the others may be left out in the cold. A steel company without war orders is just another steel company. The stock of the one with the contracts appreciates in value. The others might decline. Watch the companies with the war orders and buy those stocks. Avoid the others, even though they might participate in a general market advance.

Stocks of the steel companies ought to rise if war comes because steel is war material number one. Yet if the companies fail to obtain the war orders, the stocks could well decline. Another thing to watch for is the imposition of taxes on steel companies or other groups. If these taxes eat too deeply into profits the stocks cannot rise even though the companies are operating at full capacity. Higher taxes than in the period before we entered the World War are almost certain since we now have an enormous debt structure and a much higher cost of operation of government.

The munitions companies such as du Pont and Hercules Powder were among the best income producers in their class in the last war. As a matter of fact most major lines participated in rising earnings even though they were not in the war groups. Individual company exceptions included U. S. Realty & Improvement, Mergenthaler Linotype, General Cigar, and Lorillard (cigarettes). Mail order companies had

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a good earnings rise, and consumer goods lines generally profited because war spread employment and brought high wages to those who stayed at home. They could spend more and hence the retail merchants profited from the largest down to the smallest. Sugar companies led the climb among food company stocks. Railroad equipment companies showed substantial earnings gains as they converted their plants to the production of war materials, especially heavy ordnance.

Some issues soared and made millions for those who purchased them. Bethlehem Steel common stock, for example, sold as low as \$29.50 in 1914. It reached \$700 a share in 1916. E. W. Bliss, makers of heavy machinery and munitions, selling at \$41.75 in 1914, reached \$750 a share in 1916. Standard Oil Company (New Jersey) capital stock jumped from \$355 a share in 1914 to \$715 in 1916. Among the non-war issues, General Motors common stock rose from \$37.75 a share in 1914 to \$850 a share in 1916. Automobile issues generally made sweeping gains.

Such sensational price advances need not be looked for again for the very simple reason that the government will not permit them. It will not want a wild speculative market. Such a market might do more harm than good. The higher stocks go, the farther they have to come down. The fall might be precipitate, as in 1929. The crash of the market that began in 1929, it will be recalled, brought economic chaos

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to the nation and has been responsible for the relief payments and many of the other things that go with depression.

A strong, healthy market of the investment type is considered most desirable. The government will sponsor such a market. It will look with pleasure on it for such a market instills confidence into business men, and their confidence has a tonic influence all along the line. However, should the market get out of hand in an upsurge, it will take only a minute or two to reinstitute the restrictions that helped overcome the shock of the war declaration abroad.

Knowing that unenforced restrictions hang over the market, traders will not be as eager to speculate as they were before we entered the World War. They will be quick to take profits from time to time. Hence one must be daring and quick if he is to profit by a pre-war market in these times.

In World War days, the best gains in the market were made after March, 1916. The market had moved up slightly when trading was resumed December 12, 1914, from the sales recorded on July 30. Then it fluctuated narrowly through 1915 and moved up sharply after the first quarter of 1916. Trading volume increased on the recovery after a period of lethargy comparable to that of early 1939.

It is necessary to warn the would-be speculator that any market is risky and a market when a war is in progress or imminent is far more risky. In the recovery movement of 1914-1916 gains were not re-

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stricted to the "war babies," issues whose companies profit primarily by war. Nearly all groups moved higher. There were exceptions. There will be exceptions again. This or that stock will outstrip the others of the group. Some special development may bring a sharp decline in another. An individual stock fluctuates with the mass mind of the speculators or investors. If the astute traders can spot a bad situation—and they usually can—they sell the stock and it declines. If they believe it will rise, they buy it and their demand raises the prices. A stock market is nothing more than an auction on a big scale. The highest bidder gets the stock. Bidding is brisk or dull as the prospect for profit on the stocks is large or small.

A war market now will duplicate the selectivity of the World War market. Selectivity of a market is the term applied by the professional traders to indicate a market where the purchasers of stocks pick out the individual issues on their merits and not because they belong to a particular group that appears logically situated for an appreciation.

Stocks that were the sensations of the World War markets might lead the way down the price scale today. Twenty or twenty-five years bring many changes. Old managements have been replaced by new in most instances. The new groups may not seek war orders as did their predecessors. The entire output of a plant may have been changed so that manufacture of war supplies may not be feasible. The particular product which the plant made in the last war may be

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obsolete today as a war material. And so on. Hence, it is futile to say that because a stock rose in the World War days, it will do so again.

There may be new companies which will shine in the market spotlight. Certainly the aviation issues, of little importance in the last war, will be a big factor in the next one. For some time the orders have been flowing into that industry from all parts of the world and as this is written, American companies constructing airplanes have sufficient orders to keep their plants running at full capacity for a year.

It is absolutely necessary to study each individual issue to appraise its war possibilities. You must examine a company from all angles to determine whether or not its stock is worth purchasing. First of all, you must look into the management. A poorly managed company cannot survive long even in an industry that is in the vanguard of a business recovery. Secondly, you must study the accounting report. To be a going concern, the company must have working capital sufficiently large to keep its plants running while in production on big orders. The working capital figure is obtained from a firm's balance sheet by subtracting the current liabilities from the current assets. The amount of working capital needed depends upon the type of business and must be worked out by the person studying the balance sheet. You also must appraise the particular company's depreciation policy which also is reflected in the balance sheet. A too liberal dividend policy is bad. High inventories

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also might be dangerous especially if there is a possibility of a price decline.

Having selected a stock and studied every angle of the company's position financially and its prospects for the future in its particular industry, you still run risks in buying the stock. Anything may happen. New inventions may make old ones obsolete. Think of the bicycle industry, the silent movies, and the old ice box. These were made obsolete by new inventions. If you had invested in them you would have lost unless, of course, you had watched the trend of the times and sold your holdings before the less alert holders realized what was in prospect. Laws often affect individual companies or groups of companies. One can recall the situation early in 1939 when the Chamber of Deputies in Chile passed a law taxing the export of copper metal on a graduated scale that reached fantastic heights. Two American companies were directly affected and their stocks dropped sharply in an otherwise steady market. These two companies—Anaconda Copper Mining Company, and Kennecott Corporation—are the biggest copper producers in Chile. Fortunately the Chilean senate quashed the bill and substituted a more moderate one.

There are dozens of items to watch in the balance sheet and income account of a company. These can all be obtained from the published manuals—Moody's, Standard Statistics, or Poor's. These are always available in brokerage houses. Copies of corporation reports can be obtained by writing to the individual

company. The Securities and Exchange Commission publishes vast amounts of material which can be obtained from Washington. The information though readily accessible requires vast study. One doesn't get the knack of it as simply as one learns to hold a golf club. It not only requires keen perception but a vast background. All of this is written merely to show you that stocks are a business in themselves. The movements of the markets are often baffling to experts in peace time. In war time, no one can operate in a market with complete safety even though he were an expert accountant and an investment counsellor rolled into one. The experts can make money in a fast moving market by nimble trading tactics. The smaller trader cannot.

My advice to the person of moderate means is positively to avoid all attempts to speculate in the stock market in case we enter a war. The best thing to do with a modest sum of money is to put it into a bank. Then you'll have it when you need it. If you speculate in the market you might be lucky enough to make a fortune. Probably you'd lose your shirt.

The shirt-losing process can be quick, simple and painful. Under the watchful eyes of regulatory bodies, the market might not swing beyond two or three points, but if you played in and out—bought one stock and then another—it wouldn't take long to eat up a thousand dollars. You could purchase advice on markets, but it is costly. You could operate the market on a hunch basis as one plays horse races, and you'd

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probably end up as do all those who play the races—on the losing side.

The foregoing does not mean that purchase of common stocks or of preferred stocks is not feasible for investment. If you have a spare thousand dollars, by all means buy a few shares of stock, but be sure you have examined the companies involved, their management, accounting methods and their prospects. Put the stock certificates in a safe deposit box but don't forget about them. Keep informed on the activities of the companies behind them. If there is a possibility of this or that company falling behind, sell the stocks even at a loss.

When you buy common stocks for investment you not only want to obtain appreciation of the value of the stock but you also want to earn a return on your investment. Therefore, you must examine the securities ahead of your stock. Determine from the company's balance sheet how many shares of preferred stock and how many bonds are outstanding. The bond interest of a company must be met first of all. Then the preferred stock. When the interest is paid on bonds and the regular dividend paid on preferred stock, the money left over is used to build surplus and to pay the common stockholders for their risk in the particular enterprise. Naturally, when there are but few bonds outstanding and only a small number of preferred shares, the common stockholder is reached much more quickly. Since he takes the greatest risks the common stockholder profits most by any surplus that

remains after bond interest and preferred dividends.

For investment in ordinary times, the bond or preferred stock is by far the best. Each of these has a fixed income which is paid before any consideration is given to common stock. However, as war approaches the country at a time when its debt is at a record high and prospects seem to favor a policy of some kind of inflation, a common stock provides the best kind of inflation hedge. The average man thinks of a hedge as a row of bushes set closely together to provide something of a fence. The kind of hedge referred to here is a safeguard. You may not be familiar with the hedge used in bets. Suppose two candidates start out at even money—Joe versus Pete. You bet \$10 Joe will win the election. Later the odds change to 10 to 1 that Joe will win. You then hedge your first bet and place \$1 on Pete. If Joe wins you win \$10 on the first bet and lose \$1 on the second—net profit \$9. If Pete wins, you win \$10 on the second bet and lose \$10 on the first. Net profit zero. You couldn't lose in such a bet. You are hedged.

Why is a common stock a good hedge—safeguard—in inflation? The answer is simple when one stops to realize that the return on preferred stock (dividends) and on bonds (interest) is fixed. The return on common stock is not fixed. It is a large percentage of the amount left over after the preferred stock and bonds are taken care of. Hence, there is a prospect that the common stock return will rise in a fairly favorable

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relation to the decline in the dollar in event of inflation. A common stock is not an infallible inflation hedge, but it is a safeguard which prevents complete loss in many instances. Hence the advantage of owning some common stock.

Investment is primarily based on diversification. In ordinary times one ought to place some of his funds into bonds, some in preferred stocks, some in common stocks, and some in mortgages. Each one of these groups also must be diversified. The investments must be diversified also according to location—various parts of the country or of the world. The idea of diversification is to keep intact as much as possible the original capital invested. There is always a risk.

War time risk is greater than any other. Hence the necessity of more and more careful hedging and diversification. When there is possibility of inflation, bonds and preferred shares are not considered the best investments. However, in event we enter war you will be forced to buy United States government bonds. Therefore, you can say these government issues will be your diversification so far as bonds are concerned. Sell other bonds you are holding unless you can afford to risk the chance of inflation. The average man will have little room in his portfolio for bonds other than those of the government—which he is forced to purchase.

If when war is declared you own common or preferred stocks and have only a nominal amount of

funds, say a thousand or two thousand dollars, the best advice is to sell these holdings. Place the cash in a bank. The government will not touch your first thousand and it will take only a moderate percentage of the second thousand in forcing government bond purchases. The expert stock market traders always sell when the stock market is favorable for buying, when it is apparently in a position to continue to rise. You must try to find such an opportunity. Wait for a strong market to get rid of your stocks if you decide to sell, always remembering that when you sell someone must buy. The stock exchanges do not take the issues sold and store them on the shelves. Individuals, institutions, or banks always hold all the stocks outstanding.

No doubt you will find buyers in war time or in a period when war is imminent. There always is a group ready to risk capital on any issue that has the least prospect of profit. There always will be money to buy stocks if there is an incentive. This buying will be done if the issue is formally listed on a regular exchange or if it is traded in the unlisted markets which are maintained in the banks and many brokerage houses.

If you have investments of foreign countries sell them at the first opportunity and stay out of the market for foreign government bonds (no matter which government) unless you have a fortune and can risk some of these issues as a part of your diversification plan.

If you have investments abroad try to get them home

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as soon as possible if war is in the making. If war starts in Europe before we take part, the foreign countries which would be our allies would be lenient with our investments. However, when we join forces with them they may reverse themselves and tie up your investments. Hence the desirability of getting the funds home at the first opportunity. Remember that when the war starts in Europe we will be hard on European investors here. The European countries, therefore, will retaliate in their way.

Now assume that the United States finally enters the war. Restrictions will be placed on market transactions immediately. The government will enforce plans long in preparation to raise capital and to conscript citizenry for military or civil work. The market will move more narrowly. Trading will shrink if the prospect of a fairly large profit is taken away. The man of moderate means should not be involved in market transactions simply on a speculative basis. If he has invested his funds, he can let them rest in stocks of recognized companies. If not, he should sell and put the money into the bank.

Don't deal in stocks unless you feel you can get along without the money you use to purchase share holdings. That advice should apply to the average citizen in time of peace. It is still more significant in time of war. It would seem the better part of valor to risk money in the bank rather than in markets under severe restrictions.

Financing a War

The object of a war is to destroy as much as possible of the lives and property of the enemy nations. This process is a costly one. It involves raising a great army and equipping it with the latest means of destruction. It involves moving the army from one point to another. The army must be fed and clothed. Back home there must be another army constantly employed in the production of war materials. Between the army and the producers of war supplies, about half of our population will be in service. The other half must produce what it needs, and provide its food. When the war is in full swing, it is obvious that all of us will be reduced almost to a bare existence. There will be few luxuries because all our funds must be concentrated on winning the war.

How will we pay for this war? There are several ways of financing wars. A government can tax or it can borrow. It also can manipulate currency. Any single one of these or combinations of them would raise money to carry on a war of light or great intensity. In another war, one can assume the cost will be great and that progress of the war will be swift and devastating. Hence large sums will be required and they must be raised quickly. Since war is destructive, it is in direct contrast with the ordinary process of government financing which usually is to pay for something tangible that will endure for years. If we finance a war by borrowing, we only postpone pay-

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ment for the destruction of property long since gone. The ideal method, of course, would be to tax and get the bill out of the way at once.

Taxing in volume sufficient to pay for a war in these times would be tantamount to confiscation. Politicians shy at that word. They will be sure to avoid anything that smacks of confiscation at first. As the war progresses and the need for money becomes more pressing anything can happen, including outright seizure of property. Our first method of war financing therefore will probably combine taxation and borrowing. The banks of the nation could not jeopardize the value of their present vast holdings of United States government bonds by refusing to take more. The first loans will be taken over by the banks.

Next the government will move to obtain funds directly from the people. Between the time of the first borrowing from the banks and the need for more capital, laws such as the Lee Bill will have been placed on the statute books. The card-indexing will have been accomplished. Then will come allotments of bonds to the individual. The government will decide how much money it needs and prorate the amount of bonds. Each person must buy a part of the issue which is in the same proportion to the whole issue as his holdings of wealth are in proportion to the wealth of all the people of the country.

In World War days, the government was caught with a depleted treasury and did not have plans worked out to raise money quickly by taxation. It, therefore,

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resorted to bond issues. The first Liberty Loan amounted to two billion dollars and paid interest at 3½ per cent. Later Liberty Loans carried higher rates of interest as an incentive to purchasers. The First Loan was not well taken. Banks and insurance companies were the principal subscribers. Later the sales were made by pressure. The government never resorted to actual force although individuals were told how many bonds to buy by their employers before the war was over. Altogether, the war loans of the last conflict amounted to around twenty-six billion dollars. In another war, the total may run to more than double that sum and swell the national debt to a hundred billion dollars.

If, as provided in the Lee bill, the maturity of those loans runs to 50 years, the payment for the war will be deferred and severe inflation may be delayed accordingly. Inflation comes generally when a government cannot meet its obligations out of revenue and legislators try to find an easy method of accomplishing a difficult task. The Lee Bill provides an interest rate of one per cent in contrast with nearly five per cent on the last loans floated in World War days. The government will do its utmost in another war to keep the interest rate on government bonds as low as possible to prevent the building of a gigantic fixed charge against revenue. In the period of depression when money rates sank to one per cent or less, the government refinanced its old loans to new issues bearing interest as low as two and a half per cent for long term

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issues and much less for short term loans. Since war loans would be allotted to the citizenry in proportion to their wealth, the government could easily dictate a low rate and obtain full subscription.

Our war financing problem will be a more difficult one than that of World War days. Then we had a national debt of less than two billion dollars; today it is around forty billions. Then Europe owed us nothing; we owed Europe. Today the unpaid European war debt owing the United States is more than twelve billion dollars. That twelve billion debt represents what it cost us to help the Allies during and after the War. Experts say that war debt never will be paid in full. Finland is making payments steadily. The big nations are not.

We have laws which prohibit further loans to nations which are not making attempts to pay their debts to us. Hence, if we allied ourselves with European nations again and decided to help them in the way of loans these laws would have to be repealed. They probably would be wiped off the books since we practically would be forced to finance not only our part of the war but also to help the nations with which we elect to become allies. The war must be won. We will have to pay as well as do our part. The bill will be a big one. To use words ascribed to a cabinet member in a different situation, the government will borrow and borrow, and tax and tax.

The government will have to pay interest on the present public debt plus whatever funds it raises to

finance the war. It costs us less for debt interest today than it did in 1919 even though the debt is far larger. That is explained easily by the fact that our debt has been refunded into lower interest bearing bonds. Efforts probably will be made to cut the interest further on the existing debt during the progress of the war. However, in war time with money in demand the natural tendency would be for interest rates to rise. In peace time, the government is forced to raise its interest payments and grant concessions, such as tax exemption, to obtain subscriptions to its loans when there is a demand for money because individuals and institutions invest their money where the return is best. In war time with a dictatorship in control this trouble would be obviated. You would be told to buy bonds or to turn in your holdings for lower interest bonds, and that would be all there would be to it.

The foregoing would hold true in time of war. But once the war was over and patriotism was shelved in line with the usual custom after a conflict, private capital would veer away from government bonds to other fields where income was greater. Therefore, the reconstruction program will run into snags. The government bonds floated to pay the post-war costs will have to be at higher rates, possibly as high as five per cent. Such bonds, of course, will raise the government's fixed charges. Amounts so raised for our own use may be small, and it is easy to forecast that considerable opposition will develop to plans for aiding reconstruction abroad because the memory of the last

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war still is a vivid one. We furnished the money for the reconstruction and haven't been able to collect on the bill.

Another contrast between the World War period and today is in taxes. In 1913, the year before the World War broke out in Europe, our national income was thirty-three billions and our total tax bill—federal, state, and local—was \$2,259,000,000 or 6.8 per cent of the income. In 1938, the national income was estimated at sixty-four billions and the total tax bill was \$14,559,000,000 or 22.8 per cent of the national income. Federal taxes in 1913 amounted to only \$662,000,000. In 1938, they were \$5,934,000,000, or nearly 800 per cent more than in 1913. The federal tax now takes more than 9 per cent of the national income whereas in 1913 it took 2 per cent. State and local taxes have risen from \$1,597,000,000 in 1913 to \$8,625,000,000 in 1938 and the total now absorbs 13½ per cent, against 4.8 per cent in 1913 of the national income.

We will start a new war handicapped by a record debt and by record taxes. Once in the war our productive population will be cut in half by diversion of men to the fighting front and to the industries which will keep the fighting machine going. The other half will produce whatever national income is made. Obviously if the national income could be raised, a high debt and high taxes would be no burden. With half the population engaged in destruction of capital, it is impossible to raise national income. In fact, the prospect

is that income will decline and thus the burden of debt and taxes will be even greater.

The government will seek to keep the cost of living from rising to compensate for the drain on our pocket-books to finance the war. It will do so by instituting the controls which were introduced late in the World War days, such as the various administrations over food, war industries, war labor and the like. It will keep down living costs and at the same time raise taxes so that the individual doesn't save a cent except whatever value the government bonds he buys may have in the future.

You will not be allowed to question the future value of these bonds. You must buy them. Some day you may be able to collect on them. Hence the need of taking care of them. The thing so few persons know about is the care of bonds. A bond is like a piece of paper money and nearly as negotiable. You wouldn't leave a thousand dollar bill lying around the house where it might be lost or destroyed. You cannot deposit a government bond in a bank, but you can safeguard it. Put it in a safe deposit box. The cost is small. Before you put the bond away make a careful note of the number on it. If the bond should be destroyed, you may be able to get a duplicate if you can prove you owned bond number so-and-so.

While the interest on the bonds issued in war time will be small it will be worth collecting. A bond—government or otherwise—contains a series of interest

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coupons which can be torn off when they fall due and collected. Banks will cash the coupons.

In the period after the World War, many persons were careless with the Liberty Bonds they had bought during the conflict. Some persons believed they were making a direct contribution to government to carry on the war and that the bond they received was merely a receipt. They lost track of the bonds and never tried to redeem or to sell them. Many bonds were destroyed by fire. The government still has millions of unredeemed dollars in its war-time loans. These millions represent the cost of carelessness or lack of knowledge concerning the bonds.

Insurance

Your insurance policy in event of war appears to be about the safest investment you can hold. American insurance companies are in a strong financial position despite the long depression that wiped out billions of dollars in security values. They have far flung investments and nothing short of the wild inflation that wiped out the German insurance companies after the World War, or government confiscation, can wreck them.

If you are a holder of an insurance policy you are one of sixty-eight million persons of our population. In other words, more than half of the men, women and children of the country have life insurance policies held either directly by them or by their guardians.

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In the World War, our insurance companies met every single claim in full and some of them did so without reducing dividends to policy holders. Unless the next war runs many years with surprising twists they will do the same again.

After the United States entered the last war, the insurance companies did guard against the possibility of great loss and possible impairment of capital by inserting in their newly written policies for males of military age a clause which specified that if the holder of the policy lost his life in military or naval service in time of war, the companies would be liable only for the premiums paid by the insured. This clause was made effective for five years, and was operative unless within thirty days after entering the service the applicant agreed to pay an extra premium of approximately \$50 per \$1000 insurance, per year. In event he made such payment and was killed in service the amount of the policy was paid in full.

As soon as peace was declared, the war clause was crossed off and policies were placed on a strictly peace-time basis just as they were before the United States entered the war. These clauses, it must be emphasized, were not made retroactive. All claims on policies taken out previous to the insertion of the war clause were paid in full.

Incidentally, for the insurance companies of the United States, death losses from actual warfare were mild in the World War days. Most of the deaths of 1918, the records show, were from the influenza

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epidemic, and from sickness and disease at camps at home and abroad.

Heatless Mondays, influenza, food substitutes, and the like contributed to the death toll among the civilian population. These same things could easily happen in another war. As a matter of fact, the government will see first of all to feeding the soldiers. Then will come the civilians. If there are food shortages, the latter will suffer. Poor or inadequate food naturally affects one's health, and by lowering resistance to disease tends to increase the death rate!

Combining the excess mortality from war and epidemic, the war-time toll for many insurance companies was more than the expectations under the American Experience Table. This table is a schedule or rate of death expectations for persons of various ages. Insurance companies are forced under laws to set up reserves to meet death claims on the basis of the table which has proved adequate by long experience. Of course, in war time or in event of epidemic, the death rate may exceed that set forth in the table. However, the reserves set up are elastic enough to cope with this situation. As a matter of fact, the table itself, to be on the safe side, assumes a death rate higher than is actually experienced in normal years. Actual deaths from year to year approximate only from fifty to seventy per cent of the number provided for in the schedule. In normal times, these savings are passed on to the policy-holder in dividends or in low initial premium rates.

War deaths and deaths from conditions resulting

from the war in the 1917-18 period ran the totals up more than one hundred per cent of expectations. The additional claims were met out of surplus or by reduction in dividends paid to policyholders. Soon after the war, the war extra payments were averaged off. Over any long term, the insurance companies have an excellent record of investment success and full payment of claims. Surpluses have again been built up so that in event of another war, the insurance companies, unlike most other businesses—even including government—are fully prepared to operate without delay or cut in payment to any policyholder or his heirs.

All but eleven insurance companies reduced dividends to policyholders during the period 1918 to 1919. In the next war, most of the companies could certainly meet all claims, indefinitely, and could pay dividends in full for at least a year. In the interest of caution, however, they probably would curtail dividends as soon as the United States entered the conflict. That would mean a higher net premium cost to you, but it would safeguard your policies.

During the late war, the German companies suffered high mortality losses both at home and on the war front. Against them were the blockade which prevented import of proper foodstuffs and medicines, and the diversion of doctors and medical supplies to the fighting front. Despite the vast outlays for death claims, insurance experts hold that the German companies would have survived had it not been for the

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devastating inflation which followed the war. Even in inflation, the German insurance companies made a better showing than most other lines.

Incidentally, insurance companies in the United States would benefit in the early stages of a war as a result of improvement in some securities. Bonds, of which they hold large amounts, might well decline and offset any gains elsewhere such as in real estate values. Higher interest rates that would come in war time would help the insurance organizations in their new investments—and they are constantly investing a steady income of funds received as premiums. During the lean years of the depression that followed the 1929 market crash, while the government was maintaining an easy money policy to facilitate flotation of bonds, various insurance companies had trouble finding profitable employment for their billions in capital. They managed, nevertheless, to maintain highly diversified investments extending into all branches, including real estate.

Insurance as an investment in peace time has, the statistics show, consistently netted more than speculation in the market. The big advantage which the insurance companies have over individuals is their ability to employ experts in every line of investment who watch these investments constantly.

Insurance companies rent money rather than buy investments. They obtain prime bonds of leading companies and municipalities as well as a certain amount of United States government bonds. Each of

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these bonds is watched by experts and the instant a bad situation is discerned the particular investments are disposed of and others of high grade are substituted. The insurance investment experts make bond purchases for their companies on the basis of complete diversification, that is, purchases of issues in different lines, such as railroad, utility, steel company, government, state, or municipality. A certain percentage of investable funds is placed in government bonds, another in state and municipal issues, and some in general industrial issues, including many lines. This diversification is done for safety of principal and for a steady return. A certain percentage of the funds also is placed in first mortgages. The latter are carefully made and each piece of property on which money is lent is examined separately by experts. No mortgage is made unless its principal is amortized—paid in part yearly until the full amount has been returned. Diversification is extended to geographical location as a further safeguard. A bad situation in one part of the country therefore would affect only a minor portion of the particular company's holdings. It would be offset by good situations in other parts of the country. Thus you have a complete diversification of investment which ensures steady return in interest and in addition the maturities are staggered so that money is flowing back to the companies steadily on principal invested. Then too premiums steadily flow in, and even in depression this source of revenue is a big one. The income generally

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always exceeds the outgo. Hence the prospect of payment of claims is very good.

Since the stock market break in 1929, many persons have been turning to the insurance companies as an investment medium. In addition to purchase of life and endowment insurance, many persons have bought annuities or single-premium insurance for investment. Experts in the insurance and investment fields are convinced that the insurance policies of the nation, and the annuities issued by the insurance companies, are prime investments in peace or in war.

Policies will have new clauses when war comes. You should read your insurance contract as carefully as you read any other contract before you sign it, but no real radical changes in policies or trouble in payments are anticipated. Insurance companies, of course, could have their capital impaired by a long war. But it must be remembered they continue to collect premiums, and if given half a chance will be able to average their losses over a long period of years. At the very least, the insurance companies appear to be safer than most investments. Insurance companies apparently could stand anything but a complete financial collapse such as happened in Germany after the World War or the confiscation of property that placed Russia on a communistic basis.

Bonds, Money and Inflation

Bonds and money usually decline in war time. The value of the bond can be measured accurately in

money terms placed on it in the open market. Measuring the value of money is more difficult. Its value can only be determined by the amount of goods it will buy. Thus a rise in prices makes your dollars less valuable since you can buy less with them. All prices will not rise in the same proportion. A few may go down. Government will step in to fix prices and thus the dollar will be stabilized for long or short periods of time, depending on the course of the war.

In discussing bonds and money one must consider the prospects of inflation. When we think of inflation we visualize a balloon being blown up. It is inflated when filled with air. Air is cheap. We have it all around us, and it doesn't cost a cent. Imagine our currency in circulation as a balloon. If we expand it by blowing it up we are only adding air. We have a bigger balloon as it is expanded with air but we have added nothing of value. If we blow it up too much it will burst.

Our currency in ordinary times is backed by gold and silver and by the credit of the government. If we were to print more and more currency without adding to the metal backing we would be straining the credit of the government to keep this money at full value. Somewhere in the process of currency expansion—there is no accurate way of measuring when—the credit of a nation is impaired. Then the money is considered inflated—cheapened. Prices rise and therefore the dollar goes down. If your dollar bought a bushel of potatoes before it was expanded and only a half

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bushel later the inflation is 50 per cent and your dollar has been cut in half in purchasing power. A little use of the imagination can project this process further. Printing more and more unbacked currency steadily reduces its value until it is practically worthless.

In Germany after the World War, currency was inflated fantastically. Billions, trillions, and quadrillions of German marks were printed without addition to the supplies of gold and silver backing them and eventually the government credit was smashed. The result was that every person who had money or bonds in Germany lost every cent he had invested. The balloon burst. The whole currency was wiped out, and the country started all over with every one theoretically equal. This was not true, of course, because as usual many of the wealthy were able to salvage some of the ruins. But the middle class was wiped out and those who had retired on their savings had to go back to work.

Now if we consider an inflation like Germany's, it would seem the better part of discretion to begin immediately to buy tangible property that might have value after the currency was wiped out. Such process, however, would disrupt our living routine and bring great hardship in many instances. Then, too, it is impossible to time an inflation which might never come. One might grow gray and pessimistic waiting for it.

The best thing for the average citizen to do is to operate on the assumption that we will have infla-

tion but that it will not be the type which ruined the German currency. The chances are that if we did have a currency inflation such as that which ruined the German people, the average man couldn't save his money or bonds by any means. A millionaire might save part of his fortune but the man with a few thousand dollars would salvage not a cent. Therefore, forget inflation and eliminate worry. There's nothing you can do about it when war comes.

If one thinks of inflation as a sharp rise in commodity prices and consequent high cost of living, we will inflate after the war. This price and living cost rise can come without printing currency that has no metal backing. It always accompanies wars. It was here in the last war. And yet we avoided inflation then. However, we will enter a new war with a tremendous national debt which will be more than doubled by war expenses. I would not be surprised if war cost raised our national debt to one hundred billion dollars, one fourth of the cost of the World War to all nations involved.

Bankers believe we can stand a debt of fifty billion dollars. It was not long ago when they were saying we would run into chaos if we expanded the debt to forty billions. Now what of one hundred billions? The annual cost of carrying such a debt at two per cent would be two billion dollars. We could afford that. If the maturities on the war loans were sufficiently spread out, we might be able to meet them. They doubtless will be for at least fifty years, and

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hence payments will be postponed sufficiently to give the country a chance to catch up. A boom similar to that which followed the World War would so raise national income as to make possible honorable discharge of our debts. But don't forget the culmination of that boom—our worst depression. It could happen again, and doubtless will. Then watch out for the inflation orgy.

We could print unbacked currency and not wipe out the dollar. The German situation after the World War is not comparable to ours. Germany was practically wiped out. Her currency, the mark, dropped until it took one trillion marks to buy what one mark bought before. Then came repudiation and a new currency. Incidentally, it is interesting to note that a trillion pre-war marks was worth four hundred million dollars.

Russia had an inflation, but it did not run as far as Germany's. Russian prices rose a billion-fold, which is another way of saying the Russian rouble sank to one-billionth of its pre-war level. The Polish currency was depreciated to one millionth of its pre-war parity and Austria's one-twenty thousandth. In Italy, France and England the price level rose two to ten times the pre-war figures.

Thus we see the chances of losing part of our capital are great, especially if the war is long drawn out. It might be cold comfort to be told that a portion of our savings must go. But that is better than losing all. It is a penalty of going to war.

Our forebears lost money in wars more directly than we will. Our Revolution was a case in point. The Continental Congress ordered printing of fiat money. Fiat money means money issued on the word of the government with nothing more to back it than government credit. Eventually those fiat notes evaporated in value. Hence, the term, "not worth a Continental." Our War of 1812 was financed by issues of currency at a discount. Issues of legal tender money sent prices soaring in the Civil War.

France financed its revolution with currency called assignats, and before Napoleon came with a sound money policy, the price of a bushel of flour had jumped from 40 cents to \$45; a bushel of coal from 18 cents to \$10; a cartload of wood from \$4 to \$500; a pound of sugar from 18 cents to \$10; and 25 eggs from 24 cents to \$5.

Country after country has had its currency troubles, especially since the World War. Another war may see complete realignment of all currencies on a gold basis, and the readjustments would register vast losses for the citizens of all nations. That accomplished, the world can go ahead as best it can to restore the vast economic loss of war, a loss that will impede progress of civilization for years to come.

During the course of a war, things will go on pretty much as they are today with regard to money. Banks will be as safe as they are now when every individual account is insured by the bank with the government up to \$5,000. If you have \$10,000, divide it between

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banks and thus the full amount will be insured. When you go to the bank you will get dollar for dollar of what you deposited plus whatever small interest it has earned. The outlook is for a small increase in interest rates because when money is in demand as it is in war time, the cost of borrowing usually rises. In another war, the government which controls the money market would see to it that this rise was kept within narrow limits.

Bonds, in another war, will follow a course similar to that of the last war. The bond section of the Stock Exchange was closed at the outbreak of hostilities in Europe in 1914, along with stocks, but trading was resumed under restrictions before stock transactions were permitted and these restrictions were not as stringent. The record shows a period of dullness in the bond market after the reopening with prices tending lower. Eventually, the prices steadied and finally they rose moderately. After the close of the war, the inevitable downward reaction came and then the bond market marched upward along with stocks into boom times that ended with the crash of 1929.

Business will have to do considerable financing in a war to equip its plants for munitions production. No small amount of this financing will be in bonds, although the government through its various agencies will be ready to supply funds if the public does not respond readily. Thereupon, the government will float more war loans which you and I will be forced to purchase. If we purchase securities of business firms,

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we will probably receive a higher interest rate than the government will pay. If you can afford it, you should invest in private business loans as well as in government bonds for diversification and for higher rate of return.

There is no danger of actual conscription of money. The conscripting process will be done through forcing you to purchase government bonds. Therefore, there is no point in hoarding funds in the old mattress or under the attic floor boards. Put them in the bank where they will be as safe as the nation. Hoarded money will depreciate in value just as it would in a bank if inflation comes.

You will not be permitted to send money abroad without special dispensation from governmental authorities, and if you have money invested abroad it will be safe only in the degree that it is remote from the scene of action. If your foreign investment or cash is in an enemy nation, it will be confiscated. If your holding is in a friendly nation, it will be safe to the extent that it is not taken over by enemies or destroyed in the bombardments.

British citizens for some time have been moving part of their holdings of funds to Canada and other British possessions for safe keeping. A considerable amount of gold has been sent to Canada where it is hoped it will escape possible capture by the "king's enemies."

Another factor to consider in case you have funds

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abroad and wait until war breaks out to get them back, is war risk insurance. The rates in war time will be boosted to exorbitant heights, in some instances sufficient to make it inexpedient to move the funds home, unless you are willing to risk doing so without insurance.

Those Americans who sought to safeguard themselves against possible inflation here through purchase of gold abroad eventually will want to liquidate their holdings and send the proceeds home. If this liquidation process is done before war actually starts no difficulties will be encountered. Once a war starts, the foreign nation, however friendly, will immediately take steps to bolster its credit. It will nationalize gold as a first step, paying for it, of course, but in currency which may or may not be valuable in dollar terms. Obviously the gold cannot be taken to the United States now, for it is a punishable offense to own gold unless one is a bullion dealer, or is engaged in craftsmanship on the metal.

Foreign monies will fluctuate in war time, but the swings will be smaller than in previous conflicts because the nations of the world in the hectic times that followed the last war have learned how to manipulate their currencies artificially through the use of gigantic equalization funds. Whatever changes there are in foreign monies, the average citizen will not be involved and hence he might as well forget about them and concentrate his worrying on how he is going to

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find sufficient food and clothing for his family and at the same time pay for as many government bonds as he is told to buy.

Investments in foreign businesses by Americans will be safe only as they are remote from the focal points of actual combat. Investments in foreign dollar bonds—issues floated by foreign governments, with interest and principal payable in United States dollars—held here in recent years have had big elements of risk. War will not lessen this risk. It will enhance it in many instances even though the various nations on our side of the conflict will strive to maintain their credit in this nation by meeting all obligations. The average citizen should avoid investments in securities of foreign nations.

Real Estate

As this is written a building expansion has been developing, especially in the residential field. Government aid through insurance of mortgages, reduction of interest rates, and plentiful advertising have loosed a pent up demand for new dwellings. This demand has withstood the shocks of war scares in contrast with other lines. It now appears that it will withstand nearly as well the shock of war. In a war, government will be apt to smile on the small home owner while it frowns upon the holder of securities.

In the World War, building held up surprisingly well. It actually increased in the years before our entry and fell for only the short period during which we

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participated. Then it rose sharply. The following tabulation of building permit values for 120 large cities compiled by Dun & Bradstreet tells the story:

1914	\$734,519,000
1915	770,010,000
1916	926,647,000
1917	641,100,000
1918	374,081,000
1919	1,181,251,000
1920	1,255,808,000

In 1914, the year the World War broke out, building in leading cities approached three-quarters of a billion dollars. The next year, while Europe was engaged in war it rose by a small amount. In 1916, the total was just under a billion dollars and was 26 per cent above the 1914 total. In 1917, the year we entered the war, the figure fell by 30 per cent. In 1918, the last year of the war, it was in a definite down-trend as more and more able-bodied citizens were drawn into the fighting forces. In that year it was only about half of the 1914 total. When the war was over, building soared to above a billion dollars, a jump of 215 per cent over the 1918 figure.

War will draw many men away from the building trades. The young men must fight. The older men will be drafted into the war industries. Yet some will remain to carry on. They will be the older mechanics who will be able to build more or less durable houses for those who want them.

Naturally, the young couples will not want to risk a venture into home ownership when the man of the family stands every chance of being taken into service. Even the wife may be forced to accept service at the front as a nurse. The draft in a real war will not recognize sex. Those persons above the draft age will build new homes, but their demand will not be sufficient to keep the business going as in peace time. Hence the course of building will duplicate that of the last war.

A building cycle ordinarily carries on longer than a regular business cycle and it seldom is affected by the vicissitudes which beset business in general. However, in war unusual circumstances arise. The war industries will absorb materials which are needed for construction and the government will see to it that the war lines are supplied first.

Now for a bit of imagination. Assume that the usual building materials are not available. American ingenuity will come to the forefront. It always has in the past. In the World War days, we built up a dye industry that has survived and developed into a giant. Before the war we got our dyestuffs from the Germans and couldn't make a fast dye no matter how we tried. The same things would happen in building. If we couldn't get lumber or steel, we would develop substitutes. Imagine a house built of plastics that the chemical industry is ready to deliver in quantity once demand develops. Such a house would never have to be painted and its endurance would be far longer

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than the house of today. We might even build glass houses—and they'd resist stone throwing.

Owning one's home is not the cheapest form of living in these days, but the advantage far outweighs considerations of cost. The big trouble with home ownership in time of war is that one runs the risk of high taxes. You may get some tax reductions at first as the war industries absorb man power and thus rid the municipalities of the cost of relief. However, the federal government in its quest for more and more money to carry on the war soon will replace the lowered municipal levies with new taxes on real estate despite the entry into the domain of the states. States rights do not mean anything when the nation is in danger of losing its life at the hands of a powerful enemy.

Eventually the municipal budgets will be increased to above the levels where they were when relief was a big factor. Taxes will go higher and higher. Soon the breaking point will be reached and the citizens will be unable to make payments. The one comfort in such a situation is that every one will be in the same fix and surely the municipality will not be able to take over all the property to collect its taxes. The taxes will go unpaid and you will continue to live in your home. Adjustments will come after the war is over and a new rate will be worked out.

The foregoing applies to your own home. As for the purchase of real estate for investment, that is another matter. There always is the problem of uncer-

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tainties over taxes and other costs which will force you to raise rents at the risk of losing tenants to the more cheaply financed buildings. Remotely there is the problem of inflation and with it the chance of big loss. One must bear in mind that the real estate business is a business by itself. It requires skill as does your own business. You would not expect a real estate man to step into the job of turning out fine jewelry, or of making heavy machinery, or of defending a lawsuit for another, or of performing an operation for appendicitis. Yet the average person believes he can run a real estate venture like a veteran or that he can run a farm as well as the farmer himself.

If you want a real safeguard against inflation buy a small farm. The government always looks with favor on the small farmer and the politicians do more for the farmer than for any other class in the nation. This by no means is a suggestion that the average man can profit by running a farm. On the contrary, don't buy a farm for your livelihood unless you can afford to hire an expert to run it or unless you are a born farmer yourself.

On the subject of inflation, it is interesting to note that in recent days many homes have been purchased with the idea of using them as safeguards against inflation. The idea is that a home is a tangible piece of property which will not depreciate like currency. As a matter of fact there is some truth in that belief, but the chances of loss are ever present just as they are in any other venture. Some persons are insisting that

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the mortgagee include in the mortgage terms a clause which will permit full payment on the mortgage at any time during its life. The thought in mind is that when and if inflation comes the owner will pay off the mortgage in cheap money. He must consider the probability of government intervention. It would be surprising if the government did not provide moratoriums which not only would safeguard the home owner but also would protect the mortgagee.

In Germany there was much accumulation of real estate in the post war depression and inflation by those who had friends outside the country willing to send them a few dollars, pounds sterling, French francs or other equally solvent currencies. A mortgage can be paid off in the currency of the nation in the amount specified. It matters not at all if that money, one time valuable enough to buy a house, will only purchase a loaf of bread. Hence, what could be simpler than to take a few solvent foreign coins and buy a vast amount of the depreciated currency such as the mark in post war inflation days and pay off the mortgage. The mortgage situation carried its rancors far into the 1930s in Germany because so many took advantage of the break in the mark. Under Adolf Hitler, this situation was reversed and the inflation-paid mortgages were reinstated with the new mark as a basis.

Values of real estate will rise as war progresses and shortages of material and labor become more acute. Eventually, the municipal taxes will be raised and

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carrying costs will increase. Prices of land and of real property will rise sharply. After the war will come deflation of values and losses to those who built late in the war period. Of course, inflation would be far worse than such deflation because it might wipe out a considerable part of the value of the home despite what many say regarding real estate as an inflation safeguard.

If you attempt to deal in real estate without a thorough knowledge of the details you can lose money as readily as in the wildest declining stock market. And none of the safeguards that surround stocks is available for the protection of the investor in real estate. It is a case of "let the buyer beware" from start to finish.

Real estate bonds seem to be a thing of the past, but a word of warning on them seems in order. Should there be a boom in building with the price inflation that accompanies such move, it is probable that the real estate bond may come into use again. If the boom is followed by depression as is generally as sure as taxes, the bonds on property will smash as they did in the depression that followed the stock market crash of 1929. Those who bought real estate bonds in the previous building boom and held them for income had losses that in some instances amounted to 100 per cent. Don't buy real estate bonds or stocks secured by buildings. If you must invest in real estate do it in first mortgages and be sure the mortgage is not more than half the appraised value of the property.

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Peace

You have heard people talk about the steady tendency of world powers toward war, that war is inevitable, that even if peace were to prevail the world would be thrown into economic depression that would dwarf the consequences of war. Don't believe a word of it.

Assured peace will be such a boon to mankind that words are inadequate to describe its effect. Civilization will be advanced even faster than it would be retarded by a war. Science, relieved of war research, will swing into action to produce ever greater comforts for all persons. Our scale of living will rise sharply. We will be able to enjoy the comforts for many years denied us by depression and lately by war preparation.

All war and war preparation are total economic losses. When our men are engaged in production of war materials they are taken away from the pursuits that lead to better living conditions and to advancement of civilization.

You may ask naturally what will become of the men released from the war industries? Will they swell the ranks of unemployed? What will become of the vast stores of war commodities built up by the prospective combatants? What will be done to absorb the soldiers at arms into peace-time industry? What of communism, of fascism, of nazi-ism?

The answer to the foregoing questions is simple.

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For many years the world has been in depression. Its producing capacity has been depleted. Its factories have been allowed to run down. Living conditions have been reduced to fit the times. Thus there has been built up a vast potential demand for goods. To produce those goods, factories must expand, install new machinery. The process of heavy production and expansion easily will absorb all superfluous man power now taken over by war industries plus the entire number now on relief rolls.

The one thing in recent months that has retarded recovery in this and in other countries has been the fear of war. Eliminate that fear and nothing could stop recovery. A rising trend of production and employment itself would solve the problems of communism and all the other crack-pot schemes of government. As for the stores of commodities built up by the prospective combatants, peace demand would eat them up like a forest fire.

Obviously, a business pickup would be paralleled by rising security prices in the world markets. As a matter of fact, once peace is assured, stocks will soar in anticipation of an immediate business recovery. Bonds will improve. Your insurance policies will be easier to carry and the dividends will be increased on them. The government outlays will be sharply curtailed and hence taxes will be lightened although debt payments will be increased until the national debt is brought down to where it is no hardship.

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What we have built up in the way of a merchant marine as an auxiliary navy will be put to peace time use to increase our world trade. We will have more friendly relations with other nations in trade matters.

Our factories returned fully to peace time operation will speed production of all lines. Mass production means lower prices without reduction of wages. Hence, greater purchasing power for all the people. Low prices and high wages mean a greater number of luxuries for all the people. Scientific development of more and more labor saving machinery means more leisure. And that gives opportunity for the cultural development which war arrests.

Of course, economic perfection will not be achieved by peace but we will make far greater strides toward this ideal than if war comes. Perhaps eventually through greater education and scientific application of the principles of economics we may be able to overcome depressions and their concomitants—unemployment, failures of businesses, relief rolls, and sharp breaks in security prices.

The whole world would be so much better off with peace that one wonders why the people of the world permit war to occur.

Conclusion

When war comes billions in capital will be wiped out and civilization will be retarded for many years. No one will make money in another war. The govern-

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ment will see to that. From the very start a dictatorship will take over and you will become part of its big war machine.

Since it will be practically impossible to increase your wealth the big problem is how to hold what you have. You will have no choice in the matter of purchasing United States government bonds. They will be rationed on the basis of your wealth. Put them away and hope the war will not be so devastating as to wipe out the government's credit.

Don't be afraid of the banks. They are protected and will be as safe as they are today. The government will continue to insure deposits. Keep away from stock markets unless you can afford to take a complete loss. The man with a thousand or two thousand dollars is much better off with his money in the bank than in a stock market when war is being fought.

Your insurance policy will be as safe as the credit of the nation. Hold it. Hold your endowments. The payments will be met by the insurance companies. Hold your home but don't try to speculate in real estate unless you know the business. Risk a small percentage of your savings in enterprises expanding plants to produce war materials if these savings exceed \$2,000.

Having done these things watch, wait, and pray that the war will be a short one. Remember wars wipe out capital. Everybody loses. The longer and more severe the war, the greater the capital loss and the greater the depreciation of your savings. As for in-

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flation, that always is a distinct possibility after a war. If it comes there is nothing the average man can do but hope he can salvage something.

Assured peace will do the reverse of the foregoing. Given peace, the time is ripe for the biggest business recovery the world has ever seen, a recovery that will raise the standard of living and provide the luxuries we all long for.

In peace we have the power and opportunity to improve our democratic form of government. In war we could be under a dictatorship that could survive after the war was over. The losses would be terrific. All industry would suffer along with the individuals. One thinks the mighty steel industry would reap a fortune from a war. On this subject there is no more fitting summary than an excerpt from a speech by a leading steel corporation head who said:

“The steel industry prays for peace for the world and above all for peace for the United States. Some people believe that steel would profit greatly from a war, and would welcome it. There is no basis for any such belief. War brings no real prosperity for the steel industry. Any temporary profits accruing from forced activity of plants during the World War were largely dissipated in the need to readjust the industry to peace time products and in the period of economic distress which was the aftermath of the war.

Our participation in another world war would mean a death blow to individual freedom in the United States. Life would be rigorously regimented. Industry

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would lose the last vestige of private control. Labor would take orders from government bureaucrats. And when the war ended those controls would not soon be lifted. The economic and political bankruptcy of the country would be complete. Perpetuation of dictatorship would appear as the only answer."

The object of the foregoing pages has been to set forth the difficulties that will be involved in another war. An attempt has been made to foresee what methods can be followed to save a part of your capital. The conclusion is apparent that a long drawn out war must wipe out part of your savings, if not all. It also is apparent that the average man cannot dodge the influence of currency inflation if it comes.

War with its temporary dictatorship may lead to permanent dictatorship for the country, although everyone hopes such a thing will never happen.

War leads to destruction of the things that make for civilization. Peace builds up our civilization. Yet the world is preparing for war. Always in the past when nations built up war machines they used them. The only ray of hope today is that peace-loving nations may be able by display of armed strength to head off a world conflict that, as this is written, seems inevitable.

Chapter II

Your Business

By C. Norman Stabler

Chapter II

Your Business

IT'S EASY TO PREDICT the fate of the average person in the next war. The cog in the industrial machine in peace time goes right on being a cog in war time, only without his democratic right to kick the machine with his vote, without even that inalienable American right to do a lot of squeaking in among the gears if he doesn't like the way it's working.

But what about the men who supposedly run the machine, the legendary sixty families and the multitude of employers and small capitalists? What about the chiefs of the great unions and the potent heads of the federal bureaus? These men have power—they handle the controls. Surely they can protect themselves in the next war.

Well, what about them? True enough in the next war there will be key men. There must be a few individuals at the top to keep the country working full blast at the peak of its capacity. But the cost of this great national effort will be suicidal to these same captains of industry in government. They will have power, more power than any ancient king. But this power can be used only to further one end—the

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mobilization of every resource in the country to win the war. To use their key positions for their own personal security, to get safe havens for their sons, good investments for their money, would bring down on them the vengeance of the Commander-in-Chief and the people.

Indeed, the pressure of public opinion will require them to make sacrifices even greater than the average. Witness the dollar-a-year men in the World War. That dollar will be considered ridiculous in the next one. Important men must work for their country. It will not be considered anything to boast about but taken for granted.

Perhaps we can get an idea of what the big employer may expect in the next war by looking at the plight of the German employer from the war setup which exists in the Germany still at peace.

The German employer is beholden to the state. Under Nazi rule he is the small cog in a big machine, and every act is under official control. In a war here, we would have capacity production and full employment at a cost as heavy as in Nazi Germany. War requires the greatest possible price stability which implies wage stability enforced by rigid state control. It will involve limitation of profits and putting all to work and taxing all. By taxing all we mean just that. The biggest employers will be the biggest sources of revenue.

German employers are subject to some govern-

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mental regulation in virtually every move they make. There is no basis for thinking that American employers, in the event of this country becoming involved in a war, would be able to proceed on their regular course of business without having every important step checked and approved by officialdom as in Germany.

If you are an American employer, you may be forced to do as the German employer does now. In a majority of cases you will have to obtain an official permit if you wish to build a new plant or alter your old one in any important respect. If you are regimented, as is the German today, which seems probable, there are any number of other regulations to which you'll have to bow. Working conditions, hours and wages, will be fixed by the government. Raw materials can only be purchased after an order has been stamped by one of the control offices. The quantity which you manufacture will be fixed by a quota system and you must adhere to it. Foreign trade control offices will issue permits to export or import and you dare not do either without such permission. To hire new workers you must secure official permission for them to leave their former place of employment, or else take workers sent by an official agency. Your finished product must be sold at a fixed price and you dare not undersell or raise a price without permission of the price dictator. A quota system will also govern the amount of raw material which you may secure.

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The accounting method for your books will be proscribed and the books will be open for official inspection.

There will be limitations on dividends. In Germany the basic rate is 6 per cent, with 8 per cent a maximum if more than 6 per cent was paid prior to the issuance of the limitation decree. Any dividends above the official rate must be placed in government loans and held in trust for the stockholders. The manufacturer cannot go into the capital market to raise new funds, that market being reserved for the government or its enterprises and in addition he frequently has to invest in such enterprises, even though they may compete with his own business.

For instance, the steel industry and its allied lines were called upon to take non-voting preferred stock in the state-owned Hermann Goering Iron Works at a cost to them of 130,000,000 marks.

And in addition the manufacturer faces the increased burden of taxation, as does everyone else. These are the highspots of what has happened to business men in one country in the world where the industrial machine has been placed on a war basis. Similar limitations and handicaps in the next war will be placed on you.

The burden will fall heaviest on you, as an employer or the owner of a business. The government has already made plans to fit you into the war economy. Your place in this setup will be important but not pleasant. You expect to pay the highest taxes; you

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know that your share in financing the war will be heavy. In the next war you will find it harder to raise these taxes and to make your required investments in Liberty bonds because the government is planning already to control profits and prices so that no one will make money out of the war.

The hysteria of war has a tendency to break down legal barriers and create a willingness to submit to restraints. In such a situation the President will be given the power to control prices for the purpose of preventing a burden not only on domestic consumers but also on our allies who buy their supplies in this country. War will certainly bring about higher prices at the beginning of the conflict but with the United States involved, this country will begin with economic power conscripted as well as man power and this will mean price control and control of profit margins.

The cost of the last war to the United States was \$33,000,000,000. Of this \$22,000,000,000 was borrowed by means of the sale of bond issues by the government. But you didn't have to buy a Liberty bond unless you wanted to. Of course you have paid since, in taxes and in the inflation which such an amount of borrowing made inevitable. And you are still paying for the last war. You will have to buy bonds of the next war issue.

The Munitions Manufacturer

A large body of thought in this country blames the munitions manufacturer for the last war.

The reported activities of one William B. Shearer at the Geneva naval limitation conference in 1927, which formed an important part of the Senate investigation in 1929, helped to create this impression. Testimony was submitted before the Senate munitions committee indicating the existence of a well financed lobby, supported by individuals who were in the business of building boats.

Shearer, then a vociferous advocate of a big navy, was one of the principal reasons for the Senate inquiry. That a major fund existed was uncovered in the testimony of Laurence R. Wilder, former president of the New York Shipbuilding Corporation. He admitted handling a \$250,000 lobby fund before Congress in 1928 and that he had been approached by a representative of a "fixer," said to be able to obtain naval contracts for him for an honorarium.

Wilder stated that principal shipping interests of the country, including ship builders as well as operators, had been contributors to the fund. None of the money, he testified, went to Senators, and he also denied that Shearer had been associated with him in the 1928 lobby. But he added:

"However, I will say that Mr. Shearer has been a gold mine to me so far as information is concerned. He has a way of finding out things."

When the Geneva naval limitation conference failed, there was considerable thought that Shearer had been instrumental in the failure, and that he had represented builders of warships. Although an advocate

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of a big navy and of intense nationalism, there was nevertheless no conclusive evidence that he possessed sufficient influence to wreck the conference.

Homer L. Ferguson, president of the Newport News Shipbuilding & Dry Dock Company, admitted that his company had paid a share of Shearer's expenses at Geneva and that after the conference it paid him \$6,000 which was, he understood, to finance propagandist activities by Shearer in behalf of the Merchant Marine and national defense. Shearer was dismissed from the employ of the shipbuilding companies in 1929. He was accused by one of the executives with having threatened S. W. Wakeman, vice-president of the Bethlehem Shipbuilding Corporation, with death for failure to pay him \$250,000 he claimed due him as a representative of their interests at the Geneva conference, which charge he denied vigorously.

Shearer appears to have been employed more as an observer than a propagandist and that portion of the pay he received which was as compensation for the last named activity, certainly was poorly spent. For he did more than anyone in recent years to create the impression that those selling materials of war to a nation are fomenters of war.

Whatever may be the justification for such charges in the past, it is a certainty that there will be a strict enforcement of the theory that munitions makers should not make excessive profits in the next war. E. I. du Pont de Nemours & Co., for example, rates the manufacture of explosives sixth in the list of its

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eleven principal lines of manufacture. Less than one-third of the volume output of Hercules Powder Co. is in explosives. These and a few hundred other concerns will be of vital importance to the nation in the next war, but their munition departments, of minor importance to them in peace time, will then operate on a supervised basis which will seek to obtain the greatest efficiency of production at nothing more than a fair profit. Executives of such concerns would have nothing to gain by fomenting strife and there is no evidence that they are guilty on this charge.

The industrialists or munitions maker who may think a war will solve his troubles and create some wealth for him will be bitterly disillusioned. Such has already been the case in Germany. The Ruhr magnate, Fritz Thyssen, whose financial support was a strong factor in Adolf Hitler's rise to power, changed his mind as soon as national socialism showed what it really meant for every class in Germany. In a war setup the government pays no attention to the rights of any person, class or class interest. It will only respect the wishes of the great industrialists who fit into the mobilization of the entire nation. When an iron rule fastens itself on a country the big employer as well as the least laborer must toe the mark.

We think of the employer as having some control in his plant. Not in war time. Under an economic dictator necessary to the efficient rounding up of the country's resources you will be compelled to become a function of the nation as a whole. If you fall down,

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the state will either force you to carry out this function or it will take over.

This can be done in this country without enabling legislation. Even if the pressure of public opinion could not bring a company or an individual manufacturer into line, the power of the Commander-in-Chief to seize materials needed by the armed forces could be used to establish complete domination of industry by the government.

Section 120 of the National Defense Act provides expressly for the placing of compulsory orders for the manufacture of supplies and for the requisitioning of those plants that refuse to accept such orders. The only limitations are those provided in the Constitution which provides that in the exercise of such powers they be enforced by due process of law and that adequate compensation be paid to the owner.

The Naval Appropriations Act of 1917 also provides for requisitioning (in time of war) for the procurement of war materials for the Navy.

There is no need to go as far back as the World War for an example of how employers are regulated by a state into a supreme economic mold. When the Germans went into Slovakia, they quickly found that they could apply to a conquered enemy the same strict supervision needed in Germany to direct private enterprise for a national goal. Government officials with complete power were appointed for companies having an annual turnover of more than \$40,000 or employing more than fifty persons. In all of Czechoslovakia

Slovakia as in Germany the State made clear to all employers its right to conscript the nation's labor power up to the age of sixty and to control industry absolutely at its will. Think what this will mean to the small employer when our war time State, as is inevitable, exercises these same powers. He will retain the right to hire and fire employees over sixty but those under this age limit would be registered, subject to call by the government, either for the military service or for service in some niche where the administrator would think he could do more for the machine.

Conscription of Power Facilities

The Secretary of War already has the authority to organize all sources of supply, men or materials. He also has authority under this act to procure a very important sinew of war, power. In the last war there was at first no single agency in control of the procurement of power. The first information that Washington had about power trouble came in complaints from the Secretary of War in the fall of 1917. He reported that plants in the Buffalo Niagara area were suffering from excessive demands, made worse by the failure to receive from Canada the quality of energy called for by a long existing contract. Soon after that Pittsburgh reported trouble. The Secretary decided to get a group of men upon whom he could rely for advice as to what to do about this situation.

The most this group could do at first was to classify

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industries as essential and non-essential and to reduce or cut off completely service to the second class. Naturally, this released power for war uses. They also helped the companies by using influence on the connecting companies including the one in Canada where the first trouble started. Sometimes the group would use its authority to hurry slow manufacturers of needed equipment and repair parts. It probably hadn't the right to commandeer coal for certain distressed steam power plants but it did so. Shortly it became clear that the War Industries Board must incorporate this group as a Power Section into its organization.

Obviously in the next war no such lag in control of power will be permitted. The war department now recognizes the vital importance of an adequate supply of energy for every industry to which an order for war materials is to be allocated.

Already the plans are in effect for the formation of an organization under the industrial mobilization plan of 1920 to control the measures which must be applied to the important elements of national economic life. An important part of these plans covers the control of electricity. It will exercise this control through special agencies organized in the principal industrial centers by district engineers of the war department. These agencies will be responsible to the Power and Fuel division of the government. The district offices will inform Washington as to the power capabilities of each district and its ability to meet further demands. The measures proposed by the industry for helping

its existing supply will be reported to headquarters with an outline of the financial assistance and other aid needed to relieve overloads and to expand when necessary.

Price Fixing

Outright price fixing by the government will be adopted at the outbreak of war. This was not the case in the last war although there is a popular belief to the contrary. Actually wheat and flour were the only staples on which prices were set. Attempted control over other prices, which was generally considered by the public to be direct price control, actually was approximated only because the government limited profit margins.

On June 16, 1918 wholesale profit margins were set on a number of commodities. On sugar it was 15 to 35 cents per 100 pounds; lard and lard substitutes, $1\frac{1}{4}$ to 2 cents a pound; rice, hominy, oatmeal and cornmeal, 10 per cent to 20 per cent; hams and bacon, 1 to 2 cents a pound. On a long list of canned and packaged food the margin was set between 10 and $12\frac{1}{2}$ per cent.

Retail profit margins also were set on a number of commodities through an anti-profiteering decree in 1919. Under this the mark-up on sugar was limited to $1\frac{1}{2}$ cents a pound in bulk; canned vegetables and fish, 25 to 30 per cent; lard, 5 to 6 cents a pound; oatmeal, $1\frac{1}{2}$ cents; rice, 20 to 25 per cent; butter and

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substitutes, 6 to 7 cents a pound and eggs, 7 to 8 cents a dozen.

This was not direct price fixing, though it appeared to be to the public. It was a limitation of mark-ups and profits. The wholesaler and retailer were not required to keep their selling prices under a certain figure but only to limit the spread between what they paid the producer and what they charged the consumer. In the next war your business will be controlled more directly and you will be told what you can pay and what you can charge. The variable in your trade will be the available supply, not the price.

At the same time, a large inventory of durable materials would be an advantage to the owner of a business, judged by the experience of the last great war.

There can be no absolute guide but this is the guess of business men as to the safest policy of preparation. The happiest manufacturer will be the one plentifully stocked with the materials which go into the making of his product. There was not an immediate rise in prices on the outbreak of the World War in 1914. The conflict had raged for a year before there was a positive upswing. During the first year there had been a slight bulge when war was declared but then prices tapered while the belligerents called heavily on their supplies. But with the United States a participant in the next war, the manufacturer does not want to gamble on getting material.

The positive upward move in the last war started in

the summer of 1915 and reached great momentum in the first half of 1916. It was checked somewhat in 1917 by the exercise of various controls when the United States became involved but it broke out again on the upside in the spring of 1918.

Even with controls and price fixing in the next war, there is little chance of the level of prices being at peace time lows. Should the pattern be the same as in the last war, you who hold durable goods which are needed for the prosecution of the war will be the best situated.

The non-ferrous metals industry, for instance, was a big money maker in the last war. Aside from the large demand from the government for armaments, there was a quickened commercial demand reflecting the greater industrial activity. This was reflected in a price rise that more than doubled for copper, tin, lead and zinc. Nickel increased 50 per cent.

A corresponding price rise cannot be expected immediately on the outbreak of the next war for European nations have been accumulating a war chest of metals and in addition smelting and refining facilities have been increased in Australia, Canada and Rhodesia. If your business plant is stocked with these materials you will be assured of a supply and eventually of higher prices but the trend on the declaration of war may be similar to that in the last, namely a bulge, then downward but eventually upward as the war consumes available supplies.

Control of Commodities

In order to assure the quick supply of critical and strategic raw materials to war industries it will be necessary in the next war to set up commodity committees. If your plant produces or handles any commodity needed by the war, here is what you face.

Commodity committees composed of a chairman, appointed by the chief of the Commodities Division, representatives of the Army and Navy and other interested governmental agencies having war requirements will have entire charge of the supplies of all essential commodities. Different methods, some of which were practiced during the World War, will be used with different commodities but the important consideration is that you will have to go to headquarters to get what you want.

The Navy Department was designated in the last war as the purchasing agency for all supplies of mercury to be used by Government consumers and contractors. The producers and importers were required to sell a minimum stated percentage to the Navy Department; the percentage being changed from time to time according to supplies made available and to Government requirements. The various purchasing agencies of the Government were given allowances for this material and up to these amounts could purchase from the Navy Department and have deliveries made to their manufacturing plants or to

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those of their contractors. What applied to this one necessity in the last war will be extended to other things in the next.

In the case of tin, the American Iron and Steel Institute was made the consignee of all tin imports into this country, and operated the system of distribution of this metal under supervision of the commodity section of the War Industries Board. Later a private corporation was formed which acquired all tin stocks of the country and, under rules promulgated by the War Industries Board, became the sole seller of tin to the industry of the country.

A director of steel distribution was appointed by the steel industry to assure an orderly allocation of steel requirements for the industries of the country. The director acted under instructions of the commodity section, and when any restriction was decided upon, the director carried such orders into effect by limiting the amount of steel available to any manufacturer of the industry restricted.

There is no reason to believe that these or similar methods of controlling all such supplies will not be used immediately in the next war since the setup is already arranged in the Industrial Mobilization Plan.

Your Relations with Labor

Wartime industry has to be assured of an adequate labor supply, both in number and by occupational qualifications. This will require the organization of a

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labor administration with a Labor Administrator responsible to the President and with complete power over the labor in every plant. This will be to prevent excessive migrations of labor, the prevention of unethical competition for labor, the avoidance and settlement of any labor problems in your plant and to achieve the coordination of all employment services in an equitable distribution of war orders.

There is a wide difference of opinion as to the position labor unions will occupy in the event of war. From the last war we would expect that the demand for labor would so increase the relative bargaining power of the unions that they could virtually dictate their terms to employers. On the other hand, many feel that if we should be fighting a dictator nation, we would be forced to conscript labor like soldiers, in order to meet efficiency with efficiency, and that public opinion would be incensed if a union dared put on a strike in an essential industry. To win a strike you must have public opinion and there's a strong feeling that the wages of the riveter in the last war got too far out of line with the pay of the doughboy.

It is true that even a short tieup in an essential industry is such a serious catastrophe to a warring nation that the government would be disposed to bring pressure to bear on you as an employer to prevent labor trouble. If wheat must be moved from the west to New York and the railroad switchmen feel they are justified in asking ten cents an hour more, the

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National Labor Relations Board could be counted on to work on the side of the union and against the management of the railroads.

Unions were powerful in England in the last war and every time the government bucked them it lost. When the United States entered the war there was a similar increase in the power of unions and less opposition from the government. There was competition for labor among the employers and wages skyrocketed. This was followed by public resentment after the war and led to some of the demands for bonuses, by the veterans, who questioned why they should have received army board and bedding and \$30 a month while they risked their lives when \$75 to \$100 or more a week was paid mechanics working in comparative safety.

The fact that the public will realize that profits in war are limited will make them sympathize with the employer when the working man wants to make extra profits on his labor.

Drafting of Wealth

Some idea of what may happen in the way of drafting a major share of personal and corporate income through steeply graduated taxes may be obtained by reading a bill introduced in the last session of Congress. This bill was poorly drawn, it was confiscatory and never became law, but it furnishes us with an idea of the intemperate kind of law that may be passed in a country caught up in war hysteria. The fact that

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under war emotionalism common sense disappears is too well known for us to dismiss the Bone bill as impossible.

The professed aim of this bill was to prevent anyone from making abnormal profits out of the war. Its provisions, however, contained a graduated income tax proposal so steep that in some cases, where the individual was also subject to state levies on his income, his total income tax bill would amount to more than 100 per cent of his earnings.

This measure would have imposed a 93 per cent surtax on all taxable income above \$20,000 plus a \$9,880 surtax on income of \$20,000 plus a normal tax of 6 per cent on all income. To this would be added the state income taxes. The war profits tax in New York State, for instance, combined with the state income tax, would levy on a \$500,000, taxable income about \$26,130 more than the man's total income. On a million dollar taxable income, the levy in excess of that whole amount would be \$61,130. A person with \$100,000 taxable income would have about \$2,000 after payment of the above taxes.

Ridiculous as was this idea that taxpayers would have to pay more in taxes than they actually received, the Bone bill was based on the sound philosophy that a war should be financed primarily out of current income. However this cannot be said for another bill introduced by Senator Lee of Oklahoma and reported out by the Senate Military Affairs Committee. According to this bill, in the next war, the government

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would determine the net worth of each citizen and would then compel him to subscribe to what are euphoniously referred to as bonds (due in fifty years and bearing 1 per cent), in proportion to the amount of his determined wealth.

Although neither of these bills became law, they are straws in the wind to show us the extent to which we may be driven in financing the next war.

Central Control of Business

You may feel now that the National Labor Relations Board; the Bureau of Internal Revenue, the Securities and Exchange Commission, the Social Security Board or any one of a number of other government agencies has a good deal to say in your business. You, who would like to be a rugged individualist, are not too happy just now. When war comes your lot will be even more unfortunate.

You realize that the President, as Commander-in-Chief of the armed forces and as Chief Executive of the Nation has the problem of mobilizing material, labor and capital for the support of the fighting forces. Perhaps you do not realize that the measures adopted to secure this aim have already been worked out in Washington. All you have to do is to read the Industrial Mobilization Plan, submitted by the War Department in 1931 to find that controlling your business from Washington is considered inevitable in the next war.

Obviously the objective of each warring nation is

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victory, immediate and complete. Our Navy and War Departments point out that though it is conceivable that a war might be conducted with a great regard for individual justice, it is also conceivable that the outcome of such a war, so conducted, might be defeat. They add that in all plans for preparedness and policies to be pursued in event of war we must never overlook the fact that while efficiency in war is desirable, effectiveness is mandatory.

What does this mean to you, conducting your business, buying your raw material, fabricating your product, paying your men and trying to make enough profit to pay your taxes? It means federal control to an extent undreamed of by the American employer. Two great forces are at the disposal of the federal government in war for exercising the necessary control over your business. The first of these is the war power of the federal government; the second is the force of public opinion. Our war chiefs in this country know that war is declared only in response to an expression of the popular will and as a result they know they can count on public opinion making effective any mobilization of industry plan which may be adopted.

Priority control, used to some extent in the last war, will be one of the first measures adopted. Priority means that essential industries are considered first in allotting available supplies.

We saw this to some extent in the last war, and it was because of priority that we had the well remem-

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bered gasless Sundays and heatless days; were unable to buy as much white sugar as we wanted and had to develop substitutes for wheat in making our bread. The reason we couldn't get what we wanted was because the gasoline, coal, sugar, wheat and any number of other essential products were needed more in the manufacture of war supplies and to feed the fighting forces than they were in the conduct of our daily lives. Power also was shut off, to save coal at the generating plants, and business men walked up to their offices instead of using elevators and sat at their desks with overcoats on.

If you are an employer manufacturing lipsticks you will find it almost impossible to get the necessary supplies to carry on this non-essential industry. Perhaps your plant will be transformed into a factory for making medical supplies. The flow of materials and services into the channels of supply of the war agencies must be kept steady and controlled in order to win the war. Diverting the use of resources from non-essential needs and feeding them into essential production will be a commonplace and if you are manufacturing an essential need these supplies will be routed to you first.

This doesn't mean that you will be able to get a high price for your goods. The Industrial Mobilization Plan recognizes that certain conditions of war upset the price structure and have made plans to deal with them in the next war. These conditions are:

- (1) Unusual governmental demands. To meet them

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it is necessary to call into production many high-cost producers who cannot profitably operate in peace.

- (2) Diminished available supply for civilian uses.
- (3) Reckless governmental buying. The Government's practice becomes contagious and leads to, and almost compels, reckless private buying.
- (4) High-cost production due to the necessity of employing unskilled workers as industry expands and as skilled workers are absorbed into combatant units.
- (5) Increased insurance, interest, and tax rates as hazards of trade and demands for money increase.
- (6) Restriction or threatened restriction of essential imports.

(7) Inflation of the currency as the Government seeks to finance its vastly increased purchases.

These things were not dealt with in the last war in time to offset their disturbing intensity in the price structure. In the next war the government plans immediate control measures.

No one can emphasize too strongly the possible cost to your business of the next war. No one can fail to see that the above may be the least that will happen.

Let us suppose that the United States has been at war for an extended period. An important war industry, essential to the successful waging of the conflict is hampered continually by dissatisfied labor, sick of the war. Finally the strikers demand and obtain their own committees to help run the plants. Suppose, in order to keep the wheels turning, the strikers are given in to again and again until no

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one, least of all the employer, can be sure who really owns the factory, or ship building plant or whatever it happens to be. And while the country is getting more and more disgusted and hopeless over the situation some dynamic personality comes out for law and order. He gets his group behind him, he arms them and then he advises the use of this strong arm on the strikers. The people of the country are back of him. There is disorder, riots, men are shot, employers intimidated, business interfered with, the orderly production of war goods is halted.

Suppose the government, like the government in the Michigan sit-down strikes, refused to use force. The heads of the workers call for a general strike, a call to force the government to turn over the running of things to their own labor committees.

The spokesman of the business men of the country announces that since Congress is obviously helpless in the emergency he will take charge with his armed vigilantes to get industry started, labor put back where it belongs, at work, and win the war.

Are you sure, as an employer, as the head of your jammed factory, that you would not welcome this strong man as a deliverer? So he seemed to the capitalists and business men of Italy and Germany. Hitler and Mussolini were the answer to chaos and discord. And once the industrialists had made their choice, it was the last free choice they made. Once in, these deliverers allowed no dissenting voice to question them.

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Suddenly the state is not for the people, the people serve the state, and you as a business man are no exception. It is true that in Italy strikes are crimes. Your men have to take the wages and work planned for them. However you would also have to belong to an association with such power that you would have no more control over your own business or farm or shop than your workers have if you go against your government's orders. If three of your men quit work together that would be a strike and they would go to jail. At least this is true in Italy. But it is cold comfort to an Italian employer when he realizes that if he gets two of his workers not to sign the union, or party contract, that would be a boycott and he would go to jail along with them. And what a jail sentence he gets if he dares close his plant, stop the flow of production and lock out his workers. Naturally no Italian employer thinks of such a thing.

In this country you might hand your birthright of freedom over to a leader who would solve your labor troubles, but take in return the strictest possible control over your business and your life. You would lose your heavy responsibilities, you would have unity in your plant, but at what a cost. This may be the final cost of the next war collected from you and your business.

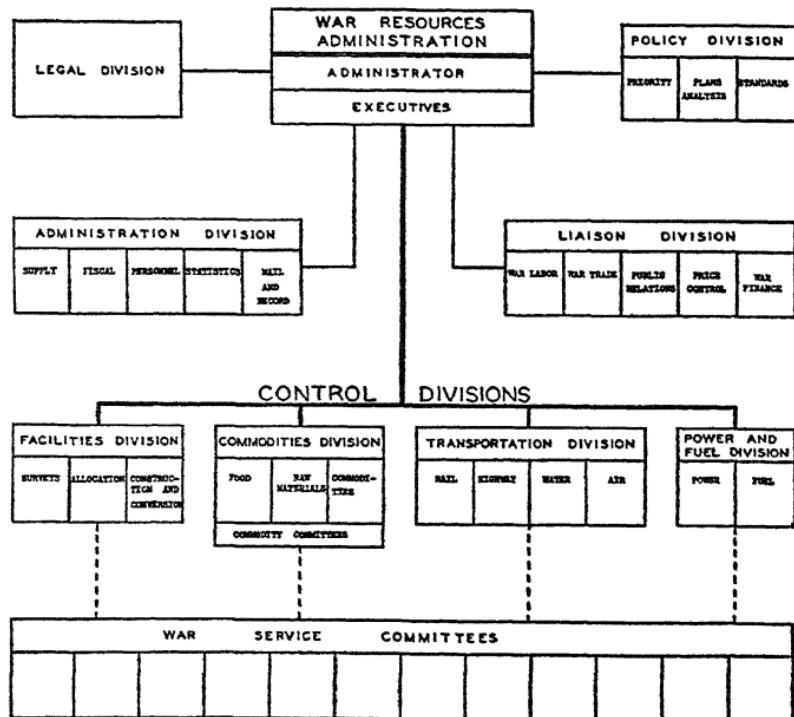
Even if this picture seems too dark, too fantastic, to happen in this nation, settled by men who fled here in search of freedom, the cost will be heavy enough. Read attentively the following chart. It is

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the war setup for business under the Industrial Mobilization Plan, already approved. Read it over carefully and then decide just how much weight your own opinion will have in your own business in war.

If you can find one little loophole for independent thought that the government has overlooked it is probably your duty to report it to our Commander-in-Chief. Because the next war cannot be won, according to the fighting experts, except by the completest surrender of each individual to the general welfare.

ORGANIZATION OF WAR RESOURCES ADMINISTRATION



Chapter III

Your Job

By C. Norman Stabler

Chapter III

Your Job

YOU WILL NOT BE in the army of the unemployed as the war progresses. There will be no such army. The question you face is whether you will retain your present position, where you will work longer hours and under more intense pressure, or whether you will be shifted to a new position where your contribution toward overcoming the enemy will be more effective. The answer lies in the type of work you are doing now, whether your company in a military sense is classed as essential or non-essential, whether your job with that company can be filled by someone with less training so that you may be freed for a more essential role and whether the regimentation of individuals will follow on the declaration of war as will the regimentation of industry. If the outlook is for a prolonged struggle, this more complete form of regimentation will be speeded up.

Military authorities, those in the government and doubtless most others, realize that war has ceased to be merely a conflict between two opposing military forces in the field. It is also an economic struggle, which means that the entire force of one nation is brought

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to bear on the other, seeking to subjugate it as quickly as possible. This means bringing to bear on the enemy the coordinated power of every material and human resource which can be mustered. You will be mustered.

This does not mean necessarily that you will march into battle. The war may do nothing to your health; it will do something to your pay envelope. No matter how long the conflict rages, it is obvious that not every citizen will become a casualty. Even faced with starvation there is always the chance of escape. But your income will either be increased or decreased and it is an odds-on chance that you will change your job.

Administrative machinery for controlling national industry has already been set up as a separate and independent governmental agency. As yet this does not involve the conscription of labor. However industry naturally is affected immediately as the conscription of a fighting force takes men away from their jobs. For a time these positions can be filled by those not formerly active in industry—the unemployed, the part time workers, those on non-essential governmental projects, women, male workers who thought they had retired and even youth below military age. But these replacements will not be conscripted at first; they will be attracted by wages which were not available to them before.

In mobilizing the military and economic forces, the effort will be made to increase the aggregate volume of industrial and agricultural output and to divert

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whatever raw materials and labor is necessary for the successful conduct of the war. But in doing so the government realizes that the necessities of the civilian population must be cared for and that as far as possible the normal progress of business must be maintained. This means that, unless you are drafted for military service on the outbreak of the war, you will for a time at least have the power to make a choice as to where you will work.

The men who join the fighting forces already know about what to expect. The thirty dollars a month paid the bottom ranks will doubtless be divided as it was in the World War, a portion for the dependants at home, a portion for insurance, the rest, oftentimes as little as five dollars a month, for spending money. If the pressure of price increases become so great as to cause unrest among the troops and those at home, war pay will be increased.

No matter what the charges against the heads of government in this country, no alarmist has ever gone quite so far as to say that public opinion will be ignored. America is a nation founded on mass selling, on mass conversions to general ideas. When war wages represent less than twenty per cent of the cost of maintaining troops, and only about 15 per cent of total war budgets, a general increase of a few dollars a month per man will not be refused if the propaganda analysts report it is necessary.

But no matter what increases are found necessary or what bonuses paid, the man in uniform knows his

income will be much under his peace time earning scale.

Just as war will not immediately bring about heavy spending, also the increases in employment will not be sharp at first. This will come with the pressure of war orders. Before this pressure can make itself felt there will be a readjustment in consumer buying. For in a crisis the tendency of an individual is to draw in his horns, conserve cash, until it can be seen more clearly where that cash will be needed the most.

The men in uniforms and those about to don uniforms will not be the only ones to stop spending, but also their families and those others who are uncertain of the future. Food will have to be bought, but even here the housewives will order a little more carefully and will spread the butter a little thinner. The depreciation rate on clothes, automobiles and homes, however, is far slower. The old suit can be brushed and cleaned and made to last a few more weeks, or months. The shoes will do, with new soles. It would be wiser to have the car repaired than to make a down payment on a new one and the neighbor isn't painting his house so your's will do for a while too. If the bread winner should have to march away, the family may need this money for food, so it will not be spent carelessly on the outbreak of war.

If your job is that of a retailer, you will feel the outbreak of war on your pocketbook immediately. Retail buying will slacken in most lines and will vir-

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tually halt in a few. Even with the draft cutting heavily into the ranks of those employed in retailing, still there will be too many salesmen for the customers, too many retail shops for the buyers and too many people who are dependent upon retail trade for their wages. Even in food, where there may be a sharp flurry of apprehension over the available supply, the policy soon will be one of watchful waiting and conserving, waiting to see what will develop.

Retail stores which were barely able to keep their doors open in times of peace, will be forced to close. The decision will be made quickly by the managers of the low profit earning stores operating in luxury goods. Factories operating on a week to week basis will close while the surplus of goods is worked off and if their business is of the non-essential variety they may be unable to reopen during the duration of the conflict. Here is one place where the war will create some unemployment. Those working in such establishments will change their jobs. The nation will be able to get along with very few salesmen.

Then the flood of war orders will begin to be felt in employment. Skilled and unskilled workers will find jobs open in every essential line and after they are settled in their new employment retail buying will quicken and retail establishments that were able to hold on will see their customers coming back.

The draft will reach into every industry, into every occupation. Various classifications will be set

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(note the World War draft questionnaire, page 134). Workers will learn how soon they are likely to be called to report for active duty.

Those engaged in selling will be the first to feel the force of the upset in buying habits. As new wage earners have full pay envelopes, selling will return. Installment sales in factory towns will reach new high levels, but until industry takes up the slack of unemployment among low salaried workers, there will be few buyers in any line.

Salesmen representing concerns that are called on to manufacture materials for the government will have especial difficulty. No factory wants to keep a force of expensive salespeople with production at top speed, and everything sold before it is manufactured.

The man engaged in supplying the retail trade, the wholesaler, the distributor, will also feel the pressure of war. The first attack will come from buyers, the second will come from the sources of supply. The owner of goods, the firm itself may ultimately prosper, but the wage earner, the man who gets his salary every week or every month, will see his job slowly evaporate. Then, when business takes an upturn he will find it a process of fighting for merchandise, rather than fighting for orders.

If you are a railroad president, or other highly paid official of an organization that is likely to be taken over for government operation, your salary may be cut. Government operation always brings with it efforts to reduce salaries of the top officials. In the

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World War the Railroad Administration put a top limit of \$50,000 on salaries of road executives and reduced the number of those in the upper brackets by a sizable percentage through consolidations of jobs, eliminations of salesmen, and other economies brought about through the elimination of competitions between lines. As a condition to mail contracts today the top salaries of airline officials are limited. The high salaried man can expect losses in income.

Government restrictions over distributors and middlemen of all kinds will be strict, so if your job falls into either of these categories you will be among the first, outside of the army and navy, to feel dictation from the central government. Among other things you must not expect to gain through competitive bidding for your product by two governmental agencies. This is one of the things that will not be done in the next war.

One of the principles related to procurement planning in the Industrial Mobilization Plan is that "there must be no competitive procurement efforts among government purchasing agencies to secure commodities or the output of facilities, the availability of which has been determined by the coordinating agency to be inadequate for the supply of combined military requirements, or where competitive efforts would be detrimental to the government's interests." So if you are a distributor or a middleman, don't try to play the army off against the navy, or vice versa.

In fact government economists will try to eliminate

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as many middlemen as possible, as a conservation measure. The conservation program also includes training the public to accept substitutes and doing for themselves what others formerly have done.

If your job is in the field of manufacturing, you will experience changes as great as those of the distributor. Most factories, particularly those with the machines and other equipment which can be turned to the making of a munition of war, already will have trained workers who can handle orders from the army and navy.

Some of these trained men will leave to enlist and men of less training will have to take their places. They will be attracted by the higher wages. But enough will be kept at their places to train the new recruits, for the government will not leave the manufacture of essentials to chance.

Anticipating the outbreak of a war the government, through the letting of what might be termed encouragement contracts, placed in the hands of numerous corporations orders for materials which would be needed and needed quickly on the outbreak of hostilities. If your job was working on one of these contracts, you know where the government wants you, for duration.

These encouragement contracts, or educational orders as they are termed, were provided for by Congress in 1938. One announcement in the second quarter of 1939 covered expenditures of \$2,000,000 to six manufacturers. This was the initial expenditure of a

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total of \$34,500,000 set aside for such purposes in the \$352,000,000 arms-expansion measure approved by the President in April, 1939. Non-commercial military items were included, the purpose being to train corporations and workmen to turn out items which would be needed for the war but which could not be manufactured at a profit during peace times, except with government aid.

The above \$2,000,000 expenditure included a wide variety of such non-commercial military items, and if you are one of those who worked on these contracts, or others in the \$34,500,000 program, you may easily stay at your regular lathe. Altogether sixty to seventy critical items were put on the list of things in which the government wanted you to be educated to make. The initial contracts included one for gas masks to Goodyear Tire & Rubber Co., one for new semi-automatic rifles to Winchester Repeating Arms Co., one for anti-aircraft searchlights to General Electric Co., one for recoil mechanism of anti-aircraft guns to R. Hoe & Co., one for the machining of 75-mm. shells to S. A. Woods Machine Co. and one for 75-mm. shell forgings to the American Forge Co.

"The preparation of American industry to fulfill its vital role in the event of war is the end and aim of the educational orders program," said Louis Johnson, Assistant Secretary of War. "The next two years will prove whether a state of readiness can be achieved which will shorten by months the time necessary to develop quantity production in time of war."

Skilled mechanics already trained to such war work will be in greatest demand. Airplane factories, munitions plants and the concerns generally engaged in supplying actual war materials will obviously find great need for workmen.

But in thousands of allied lines there will also be a call for trained men. For example there seems to be no doubt but that clothing factories working on uniforms will operate at full capacity. In 19 months of the World War the United States bought \$514,000,000 worth of shoes and clothing. With a suit of clothes at current prices this would equip ten million soldiers with fifty dollars worth of clothes each. Today the average working man can buy a complete outfit, including shoes, hose, hat, underwear, a suit and a light coat in retail stores for approximately fifty dollars. Buying at wholesale prices and in huge quantities with all the costs of warehousing, transportation, retailing and distribution absorbed, it would certainly seem reasonable to expect this sum to be sufficient to serve an army of three million men for well over five years.

But war requires materials far in excess of immediate needs. There must be no delay in equipping men, no hitch in the steady flow of manpower from home to camp to battle front. To insure against delays, stocks far in excess of present demand must be put in strategic points, replacements must be kept all along the line of transport. All this means more employ-

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ment for those engaged in producing goods for the warriors.

Unskilled labor will be subject to the draft and the ablebodied and unmarried will have no basis for claiming preferential treatment. Some of the unskilled positions can be filled with the former unemployed, and by women. They will not only take the jobs of the unskilled who went to war, but of those who, with a little training, were moved into the skilled classifications. As male labor is conscripted the tendency all along the line will be to advance workers to more highly skilled positions in accordance with special training and aptitude. With this will go higher wages, the sharpest percentage increases occurring in the skilled mechanical lines, where there is a shortage of available labor. The income tax collectors will find a fertile field of revenue in the ranks of the skilled workmen.

Domestic servants will be attracted away from homes and into industrial organizations, if they escape the military draft. The magnet will be the higher wages, and pulling in the other direction will be the higher taxes levied on householders, formerly able to employ domestic help, who find it advisable to conserve the family budget.

Farmers will be placed in a deferred draft classification because of the increased need for all types of foodstuffs. Farm workers also will have this benefit and the price of goods to the farmer will be increased. The

sharecropper will cease to be a forgotten man. If the war is in Europe, the demands on the American farmer will be much the same as they were in the World War. Any nation at war must make sacrifices and the living standard of its people will be reduced. But only a small curtailment can be made in food supplies.

With Europe able to supply only a portion of her requirements, an increased share of the war budget of the belligerents must go to the farmers. The administration would doubtless be successful in obtaining emergency powers and would attempt to fix upper limits on food prices but this could not be done until after they had risen.

The level of gross farm income reached in 1919, the year following the Armistice, was the highest ever recorded for the American farmers. The total was nearly \$17,000,000,000 compared with \$12,000,000,-000 in 1929 when security values were at their peak.

Policemen, firemen, and other civic employees required to maintain order and to protect property will be exempt from conscription, but private watchmen, guards and detectives will be subject to draft according to the importance or lack of importance of the firms or individuals they guard. Wages for men in this latter classification will increase sharply.

Libraries, and other adult education centers will be kept open, although fuel conservation may bring about their closing for certain periods each week, perhaps every other night. Male librarians will be urged to take over the handling of libraries at the

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front, as will male educators. Adult education will continue in cantonments and camps behind the lines, under Red Cross, Salvation army, and government auspices. Workers employed in these classifications will be paid salaries in excess of those of the enlisted men, but will be carefully investigated as to their patriotic backgrounds and inclinations.

Workers in transport fields will be classified and protected from draft if their work is considered essential on much the same basis of workers in food industries. Like those in all fields where union labor has contractual relations with employers, wages in the transport field will be subject to increase from time to time by negotiation, but will not jump in the same percentages that pay for unskilled workers is advanced.

CCC workers and those on WPA projects will be given every opportunity to enlist, or to transfer to more essential work. Only essential projects will be continued once war is launched.

There will be a tremendous need for accountants, bookkeepers, and trained buyers for all kinds of equipment and supplies. Women will be encouraged to study for work of this kind, taking employment with non-uniformed branches of the service. The army will doubtless follow the lead of the Navy and Marine Corps and open the enlistment ranks to single women, who will be employed as Yeomanettes and Storekeepers on shore duty, mainly in the U.S.A.

Stenographers will find opportunities to advance in

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the business they are associated with. Many private secretaries in essential industries will find executive positions open to them, and a steadily increasing demand for thousands upon thousands of stenographers and secretaries will come from government offices and bureaus.

Fishermen will be encouraged exactly as farm workers will be encouraged. Special commissions for the training of young men and boys as fishermen will operate schools if fishing boats are available with most of the strongest fishermen finding employment on merchant ships transporting supplies.

Ship yard workers will be in great demand as production of ships is speeded up. These men will class with airplane workers and munition plant employees as among the most essential.

Physicians, nurses and medical students will find employment at home and abroad opening for them. Dentists, pharmacists and all others engaged in helping the sick will be given every opportunity to serve at the front. (The Austro-Hungarian Army during its first four years of the World War spent five per cent of its total outlay for medical service.)

Motion picture operators, athletic directors, lecturers who can tell humorous stories, song leaders, entertainers who can appeal to mass audiences, and even retired vaudeville performers will find engagements to appear at home and behind the lines in the war zone. Classified as non-essential, the amusement

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industry will suffer from the inroads of the draft, but those not taken for war will find increasing employment.

Newspapermen, writers, reporters, editors and photographers will be given government employment, and even in the face of restricted publication sizes, there will undoubtedly be a great deal of civilian life employment for workers in these classes with increased wages for the older, more experienced workers.

Advertising writers, artists, and advertising executives will find the government attitude toward advertising strangely upsetting. Propaganda of every sort will be used by dozens of government bureaus, but as each industry is taken over for government operation, advertising expenditures will be cut and reduced.

The Government will point out the inability of railroads to care for the essential business as a reason for discontinuing all railroad advertising. These same rules will apply to other industries that may come under government control, still offering service to the public, but under government management, showing an inclination to advertise for conservation rather than increased use of the services offered for sale.

Wages in the building field will increase along with wages of all other skilled workers, but employment will be largely on government contract or from private industry, building for government use.

Union labor will go through a peculiar evolution.

C. NORMAN STABLER

Unions will lose members, and dues revenue, through draft for war service. In many lines, especially those producing goods not immediately required for war use, employment will slump with increased burdens on labor, but as the newly earned wages go into circulation and business increases, labor unions will regain their numbers, and be prepared to represent their members in the constant battle for increased wages and fair working conditions.

Government officials will watch all labor troubles and will be inclined to compel employers to meet labor more than half way as long as demands do not seriously interfere with production.

Some spasmodic efforts will be made to extend the working week, but experiences in France and England during the World War indicate that there is little possibility of labor losing the 8 hour day except in a very few industries where the 12 hour day has only been outlawed for a few years. Strikes will be rare, but strikers are more likely to be sent to cantonments and labor camps, than to the front as was tried in England during the World War.

As the cost of living rises, the Government will insist in readjustment of labor contracts, even when they do not run their allotted term.

Drafting of labor will not be instituted immediately. The country will approach the point of exhaustion before such a draft will receive public support. But if the war becomes serious enough, if planes fly

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overhead and enemy forces land on our shores, even this eventuality will come. The nationalization of labor has come in other countries—it is not impossible in this country.

The Selective Draft

The questionnaire that follows is one used in registering prospective soldiers in the selective draft during the World War. The various classes of registrants will show little change when new registration blanks are distributed to all over eighteen when war comes.

QUESTIONNAIRE

Registration No..... Name of Registrant Tel. No.....

Serial No.....

first name *middle name* *last name*

Order No.....

Address.....

No. Street or R.F.D. No.

.....

city or town *state* *country*

Stamp of board

C. NORMAN STABLER

NOTICE TO REGISTRANT:- You are required by law to return this Questionnaire filled out in accordance with instructions contained herein within seven days from date of this notice. Failure to do so is a misdemeanor punishable by fine or imprisonment for one year and may result in the loss of valuable rights and in immediate induction into military service.

(Date)

member of local board

CLAIM FOR EXEMPTION ON DEFERRED CLASSIFICATION. Note to Claimants:- This form is to be used for claiming exemption or deferred classification by or in respect of any registrant and for stating the grounds of claims. Place a cross (x) in Column A opposite the division that states the grounds of claim. Boards are required to consider only grounds thus indicated by the Claimant in Column A.

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<i>Col. A. Div.</i>	<i>Class I</i>	<i>Class II</i>	<i>Col. A. Div.</i>	<i>Deferred Classes</i>
..... A	Single man without dependent relatives.	 A	Married man with children, or father of motherless children, where such wife and children or such motherless children are not mainly dependent upon his labor for support (excluding earnings from labor of wife), available, and that the removal of registrant will not derive such dependents of support.
..... B	Married man, with or without children, or father of motherless children, who has habitually failed to support his family.		..... B	Married man, without children, whose wife, although registrant is engaged in useful occupation, is not mainly dependent upon his labor for support, for the reason that the wife is skilled in some special class of work which she is physically able to perform and in which she is employed, or in which there is an immediate opening for her under conditions that will enable her to support herself decently and without suffering or hardship.
..... C	Married man, dependent on wife for support.		..... C	Necessary skilled farm laborer in necessary agriculture enterprise.
..... D	Married man, with or without children, or father of motherless children; man not usefully engaged, family supported by income independent of his labor.		..... D	Necessary skilled industrial laborer in necessary industrial enterprise.
..... E	Unskilled, or not a necessary farm laborer.			
..... F	Unskilled or not a necessary industrial laborer.			
..... G	Registrant who fails to submit questionnaire and in respect of whom no deferred classification is claimed.			
.....	Registrant not deferred and not included in any of above divisions.			

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<i>Col. A. Div.</i>	<i>Class III</i>	<i>Class IV</i>
..... A	Man with dependent children (not his own) but toward which he stands in relation of parent. A Man whose wife or children are mainly dependent on his labor for support.
..... B	Man with dependent aged or infirm parents.	..... B Mariner actually employed in sea service of citizen or merchant in the United States.
..... C	Man with dependent helpless brothers or sisters.	..... C Necessary sole managing, controlling, or directing head of necessary agricultural enterprise.
..... D	County or municipal officer.	..... D Necessary sole managing, controlling, or directing head of necessary industrial enterprise.
..... E	Highly trained fireman or policeman in service of municipality.	
..... F	Necessary custom house clerk.	
..... G	Necessary employee of the United States in transmission of mails.	
..... H	Necessary employee in service of the United States.	
..... J	Necessary assistant, associate or hired manager of necessary agricultural enterprise.	
..... K	Necessary highly specialized technical or mechanical expert of necessary industrial enterprise.	
..... L	Necessary assistant or associate manager of necessary industrial enterprise.	

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<i>Col. A. Div.</i>	<i>Class V</i>	<i>Col. A. Div.</i>	<i>Class V—Continued</i>
..... A	Officer—legislative, executive, or judicial of the United States or of the State, Territory, or District of Columbia. J	Person discharged from the Army on the ground of alienage or upon diplomatic request.
..... B	Regularly or duly ordained minister or religious.	..... K	Subject or citizen of cobelligerent country who has enlisted or enrolled in the forces of such country under the terms of a treaty between such country and the United States providing for reciprocal military service of their respective citizens or subjects.
..... C	Student who on May 18, 1917, or on May 20, 1918, or since May 20, 1918, was preparing for ministry in recognized theological or divinity school or who on May 20, 1918, or since May 20, 1918, was preparing for practice of medicine and surgery in recognized medical school.	..... L	Subject or citizen of neutral country who has declared his intention to become a citizen of the United States and has withdrawn such intention under the provisions of act of Congress approved July 9, 1918, and Selective Service Regulations.
..... D	Person in military or naval service of the United States.		Member of well organized religious sect or organization, organized and existing May 18, 1917, whose then existing creed or principles forbid its members to participate in war in any form, and where religious convictions are against war or participation therein.
..... E	Alien enemy.		
..... F	Resident alien (not enemy) who claims exemption.		
..... G	Person totally and permanently physically or mentally unfit for military service.		
..... H	Person morally unfit to be a soldier of the United States.		
..... I	Licensed pilot actually employed in the pursuit of his vocation.		

REGISTRANT OR OTHER INTERESTED PERSON MUST ANSWER THE FOLLOWING QUESTION:

Q. Do you claim exemption or deferred classification in respect of the registrant named above?
If so, state the divisions of each class and each class in which you claim that he should be classified.

A.: in Division.....of Class.....and Division.....of Class.....and
yes or no

Division.....of Class.....

(Date)

(Address) (Sign here)

WAIVER OF CLAIM FOR EXEMPTION OR DEFERRED CLASSIFICATION:

(To be signed by registrant or other interested person wherever waiver is used.)

I hereby waive all claim of exemption or deferred classification of the registrant named above.

(Date of signing) (Sign here)

Chapter IV

Your Living Requirements

By Jack Foster

Chapter IV

Your Living Requirements

ON THE DAY war is declared a change will begin in your daily routine that will become more pronounced the deeper we go into the conflict. The products you buy, the things you do, the pleasures you enjoy, the comforts on which you rely—all will be altered fundamentally by the necessities of waging a winning campaign. Today, within your means, you can market as you choose and live as you choose. Tomorrow, when the struggle has begun, you will be told what you may purchase and how you may pass the day. The government will be your master in all things incidental to the problem of continuing your existence as a human being.

The war may be fought overseas—and at the start it probably will be. But in one way or another you back home will feel every push that is made, every rout that breaks the ranks. For in modern warfare, with its tremendous draw on all resources, the individual at his desk or in his easy chair is an inseparable part of the great, complicated pattern of destruction.

This chapter will attempt to show, in a simple

recital of facts, what sacrifices you, as that individual back home, will be having to make so that the war can go on. It will show how your routine will be revolutionized and your comforts snatched away. It will show, specifically, how your rents will skyrocket, your house or apartment fall into disrepair. How your clothes will rise in price and descend in quality. How your means of travel will be curtailed and the cost of motor essentials, such as gasoline and oil, will jump. How the heat you need and the light you read by will come under strict government supervision. How your food will be limited in quantity, changed in kind, closely regulated as to distribution.

First, let us consider the problem of food, since that is the necessity of all necessities. At the outbreak of hostilities, food of every kind and in every place in the United States will become subject to the arbitrary control of Washington. Your grocery shop will go no farther than the government allows. Your menus will be picked by a board of conservation experts. For food is the prime essential of war, greater in importance than bombs and shrapnel. It is the sharpest steel, the driest powder—the deadliest of all weapons.

Lloyd George recognized this truth and expressed it in a speech he delivered on the subject.

“The food front nearly brought us down in the war,” he said. “It was the food shortage that brought down Germany, Austria and Bulgaria. It nearly brought us down before them. Had it not been for sea power, we could not have stood it eighteen months.

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It was a gamble whether Germany would be starved first or Britain.

“The food ship is fragile. It does not bristle with anti-aircraft guns. . . . Why not strengthen what was our weakest lack of defense in the last war?”

England has begun to strengthen its food defense. It is buying up enormous supplies of non-perishable foodstuffs against the day of hostilities—3,650,000 tons of wheat; 5,000,000 tons of potatoes; 2,225,000 tons of onions; 1,225,000 tons of cheese, 625,000 tons of butter and oleomargarine. It is storing these staples in specially constructed bomb-proof cellars.

With Lloyd George’s warning in mind, England has built its food front on a gigantic scale. Military experts have canvassed the food resources and potential resources of all dominions and colonies—the wheat and meat of Australasia and Canada, the fruit of South Africa, the rice of India and Ceylon—as well as those in the United States and the Argentine where enormous purchases will be made. Thus England knows ton for ton where her food must come from, and she depends on her Navy to get it through.

The United States, too, is preparing against the cry of hunger in the ranks. Every large stock of foodstuffs in the country has been noted and classified by the Quartermaster’s Department of the United States Army. On the day that America plunges into the war, the Quartermaster’s Department will enter the market actively, buying enormous stores to feed the marching men.

In Washington the Quartermaster's Department will become the center of a great teletype network touching every state. Orders will flow out in a steady stream. "Minnesota, Send Fifty Tons of Wheat to New York Harbor." "Kansas, Send Ten Tons of Corn to Norfolk." "California, Send One Thousand Crates of Oranges to Boston." Messages such as these will start food on its long journey to the front.

At the same time, a bureau in Washington will attempt to block the rise in prices and to prevent a scarcity of essentials. Price-fixing regulations will be instituted and conservation measures adopted. In the last war the public was sold, through moral persuasion, on the idea of conservation. In the next war you will not be given the chance of voluntary patriotism; you will be told what food to buy and in what quantities. In case of violation, it will become a criminal offense to hoard food just as it is now an offense to hoard gold.

All the groceries you buy will be checked on by government agents as carefully as the purchases of bread were checked on by the British during the latter days of the last war. In England at that time bread was rationed four to eight pounds a week, depending on the physical demands of the individual. One woman was accused by the food board of having thrown away some mouldy crusts. She said she had intended to make something of them but that they had got so mouldy she wouldn't even feed them to the dog. She was arrested. The judge found her guilty, fined her.

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"But, your Honor, I bought and paid for that bread myself," she protested.

"That is no excuse for waste," the judge replied. "This is war."

Such an episode readily could come to pass in America when the next war comes. And yet it is not likely that there will be any genuine opportunities for hoarding or waste. For the foodstuffs will come into the big cities in such reduced quantities, with transportation taxed, that a housewife will not be able to plan much beyond the next day or so.

Take New York, for instance. If it were a defensive war fought on these shores and if the enemy bombers were successful, New York would be starving to death in five weeks. If it is a war fought in Europe, this harbor will be swollen with food ships bound for overseas and New Yorkers will dine far less well than ever before.

As a normal thing, the metropolis uses more than 200,000 carloads of fresh food every year. A twenty-two car train is required every hour to move the produce consumed by the citizens of New York. This is exclusive of milk, meat, fish and canned goods. A train an hour for vegetables and fruit alone.

It is easy to see what will happen, then, when a majority of trains are used for moving troops and transporting munitions. New York no longer will have in abundance the greens it is accustomed to get from California and Florida, the fruits from California and the South, the melons from the West and South. New

York will have to turn to its own produce—insufficient as it is—and to canned goods. When war comes, America will be carried into the canned goods era. For food-in-tins is comparatively easy to ship. While fruits and vegetables need express speed, canned goods can lumber along at any clip, and, on reaching the shelf, be none the worse for delay. In addition to the foods preserved by canning or like processes, there are dried foods or those produced by the newer device of freezing. At the first onslaught this production will be multiplied enormously to satisfy not only the needs of the city but the Gargantuan demands of the military forces.

At the same time, the thunderous voice of propaganda will be quizzing you: Why aren't you tilling a little garden of your own? Why aren't you canning your own vegetables and fruits? Every encouragement will be given housewives to preserve fresh foods themselves. The picture of a perspiring wife stuffing a mason jar full of beans or cauliflower will be enough to bring cascading tears to the eyes of Washington's ballyhoo artists.

However, the voice of propaganda will be aimed chiefly at broader fields than this. Meatless days, it will demand. Wheatless days. Sugarless days. Posters will cover the backs of buildings and every sizable rock with the old cry:

“Food will win the war.”

“Wheat will win the war.”

“Eat more fish—they feed themselves.”

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During the last war the question of whether to deprive yourself of certain foods on certain days, was, as was indicated before, a personal matter. Your Americanism was appealed to. But in the next war the government will decree by order meatless, wheatless, sugarless days and make their violation a criminal offense. For in a dictatorship (which America will surely experience) all things can be done by propaganda. Rules and regulations will be enforced by the threatening voice of the controlled channels of news dissemination.

And so, once the meatless, wheatless, sugarless and what-not-less days are passing satisfactorily, the government will instruct its pep boys to sell the public on the idea of substitutes. You will be asked to give up many fresh foods, some kinds of canned goods, too, and to turn to kinds of food you've never heard of before.

The Germans have been wandering in this never-never land of food substitutes for some time. Under the "ersatz" plan they have been introduced to many new kinds of eatables.

They have been eating dishes made from "Viking eggs." A "Viking egg" is made of fish—thirty-two pounds of fish make one pound of eggs which, in turn, it is claimed, is equal to one hundred and sixty pounds of hen eggs. They are actually a kind of paste and are used only in cooking.

The Germans also have been experimenting with the use of whale meat. To recreate the almost forgotten

industry of whaling the Nazi government is subsidizing the construction of a large fleet of special craft—six mother ships and forty-four smaller hunting boats. These will be capable of handling twenty to twenty-five whales a day. As the meat comes in, it will be sold either in its natural state or will be rendered down into some form of artificial food, depending on whether their scientists are able to make it palatable.

The press has been indispensable in Germany's gigantic attempt to feed its people when there really is not enough food in the nation to feed them. "To eat little means to live long," the press advises. "To fast is sometimes the best medicine," another editorial adds. At the same time, there has been a constant barrage of journalistic drum-beating to convince the nation that substitute foods are healthful and delectable.

How soon America will turn to substitute foods and to part-substitute foods depends entirely on how long the fighting lasts. A four or five year war would mean most certainly that the nation would come to depend more and more on the laboratory for its daily bread.

In 1945 our scientists may reach up for a bottle-full of chemicals and a bucketload of air to make our dinner. Food out of chemicals and air? This is not as wild a conception as it sounds. Twenty-five years ago Marcellin Berthelot proved that carbo-hydrates could be created out of water vapor, carbon-dioxide, ammonia, gas and light. Later E. C. Baly of the University of Liverpool showed that starch could be transmuted into sugar. These and other experiments led the

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speculative scientist, J. B. S. Haldane, to predict that "within the next century sugar and starch will be as cheap as sawdust."

What form our synthetic groceries will take no one can predict with great exactitude. Perhaps they will all be compressed into the form of pills—one pill for soup, one pill for roast, one dashing little pink pill for the desert, one black pill for the coffee. Or perhaps the concoction will be mixed with a quantity of bulk and rolled out into the form of a baked potato and a steak soaked with phony gravy and make-believe onions. Or perhaps it will all be vaporized: a deep breath, a simulated sigh of satisfaction, then back to work or to your evening newspaper.

At any rate, no matter what form your foodstuffs take eventually, you must be prepared right now to give up the freedom of choice you have in the corner grocery store. Within six months after fighting begins, you will have a food card. This card you will have to present whenever you make a purchase. It will enable you to buy in specified quantities, depending on the size of your family, those products which the government allows. A list of possible purchases will be distributed daily to every grocery store by the various branches of the food bureau in Washington.

Early in 1939 in several American cities, including Rochester, N. Y., and Dayton, O., a food card system was tried out. This was for relief purposes. Certain specified groups were permitted to buy two kinds of stamps—an orange stamp for one, two or three dollars

and a blue stamp for half that amount. With the orange stamp the purchaser could buy any kind of food; with the blue stamp he could buy twice the value of the stamp but only from the stock of certain surpluses posted by the government.

The results of this experiment have been scrutinized by the government and will be consulted when the time comes to distribute your war food card to you.

Now what will be the effect of the coming conflict on the well-being of the nation? With a shortage of food, with certain dietary essentials sent abroad, how healthfully will our country live? Not very well, it is likely, if war stretches beyond four or five years. For malnutrition is an inevitable companion of hostilities, it is the great gray buzzard whose shadow falls over the fields and cities as well as the trenches of fighting nations.

In an exhaustive report the U. S. Bureau of Home Economics declared that today—in peace times—one of every four families is living on a diet inadequate to maintain average good health. One out of four is ending each day in a state of near starvation. If this is true today, you may expect to find under-nourishment a commonplace factor in the nation's daily life when the full effects of the war's appetite are felt.

Here is what actually exists in Germany. The *Deutsche Volkswirt*, an official newspaper, gave the results of the nation's "cannon instead of butter" program in an editorial in the spring of 1939:

"During the year 1938, two hundred million days

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were lost through illness. It has been calculated that ill health from stomach ailments accounts for six per cent of total illnesses, making twelve million work days lost through stomach ailments. This is equivalent to assuming that 44,000 jobs have been vacant throughout the year."

The *Deutsche Volkswirt* declares that these conditions are the result of the lack of warm food in the factories. Foreign correspondents believe, however, that these malnutrition figures are the direct result of restricted and adulterated diet which the government has imposed upon all German workers. These workers have protested weakly in public and bitterly among themselves. But to no avail. For they are preparing for war, and in war or even the coming of war, a man's diet ceases to be his own.

Housing

Now let us turn to the subject of where you will live and how much you will pay for the privilege of having a roof over your head. At the out-set it is an indisputable fact that your rent will rise . . . leap in large cities . . . skyrocket in great industrial centers. You will be the victim of a housing hysteria. You will find that the rent year after year will become an unpredictable factor in your desperate attempt to make both ends meet.

Suppose, when war comes, you are living in a comfortable three-room apartment. At the end of the first year of hostilities you receive a notice that your rent

has been raised 12 per cent. You protest. But it's a waste of time. You're told that living costs are up, taxes are rising and rents have to follow suit.

At the end of the second year you receive a second notice . . . your rent has been raised an additional 15 per cent. Your protestations are as fruitless as they were before. And so again you readjust your budget.

After five years of war with steadily rising rents, there comes at last the blessed announcement over the radio: "Hostilities cease!" Now, you think, your housing troubles are over. Rents may not come down, but at least they won't go up. But you are wrong again. You find you hadn't reckoned with the inflation of the post-war era. Once again your rent soars. For now the troops are returning and in overcrowded cities there are not enough homes and apartments to meet the need.

Desperate, you go to your landlord. But you receive the same old reply: "Rising taxes. Increased cost of living. What can I do?"

So you and thousands of other tenants throughout the city will go on strike and once again in the dismal history of man's attempt to maintain a home of his own, the forces of government will be called upon to help you in your distress.

Is this picture an exaggeration? Far from it. We've only to study the rental tragedies of the World War and the reconstruction period to realize what an accurate forecast it is. Let us go back over a handful of

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yellowed clippings from the newspapers of that day and piece together the story:

Even before America was dragged into the war, industries manufacturing munitions, textiles, food, etc., began to prosper in the desperate attempt to meet the demand of the belligerents. Laborers by the thousands were drawn to the populated centers. All day and night factories ran on a speed-up basis to load the holds of merchant ships. Carpenters, masons, painters, laborers of all sorts now were working as factory hands for double and triple their former wages. Their wallets grew plump with greenbacks and their pockets sagged with change. An expression, "silk shirt mechanic" came into common use. Higher wages drew so many hundreds of thousands of these men into the manufacturing field that construction slowed down and in 1917, when America entered the war, it virtually ceased.

At the same time the demand for living quarters in great cities became almost an epidemic. Apartment space had to be provided for these laborers. And since it was they who had the money, the white collar worker who had not profited greatly by the war was pushed out of his home into cheaper quarters. Lower and lower in the scale of living this white collar worker descended until in many cases two and three families were living in one apartment. Hundreds of them in New York City were forced to take their belongings to the so-called "cold water tenement districts."

When the war ended the situation became even more critical. Rentals that had yielded six per cent before the war were now yielding twenty, thirty, forty, fifty, even eighty per cent. The crisis came in 1920 when in states such as New York laws were passed forbidding landlords to raise rents for two years. These laws were supplemented in New York by statutes which for five years exempted from taxation all new construction for living purposes. This was the shot in the arm that builders needed.

But the result went far beyond expectations. Now began an era of wild real estate speculation. Apartment houses sprang up over night. Cheap dwellings reared their chimneys on every available lot. People who knew nothing about real estate threw their money glibly into any promising venture. For half a dozen years housing rode high on a jubilant wave of prosperity. And then you remember the result—that black afternoon in 1929 when the financial structure of the country collapsed. This was the war's last laugh at the expense of the harassed populace.

When the next war comes can this housing catastrophe be prevented? Will there come the same hysteria, legislation, feverish era of speculation, and then the all-encompassing crash?

The optimists say "No." The pessimists say "Yes." A real estate expert, who has discussed this section of the book, was called upon for his opinion. The housing crisis, he said, might not be as sudden and acute as it was in the last. He pointed out that the Federal

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Housing Administration has constructed so many dwellings that the shortage of living quarters in populated centers might not be immediate. He declared that vacancies in apartment buildings are far greater today than they were in 1915 and 1916. He insisted that mortgage investment is far more wide-spread now than it was in the months before the last war which followed by a few years the panic of 1907.

And yet, he readily admitted, if the war were protracted, you would, in time, have to dig down to the very toe of your sock to pay the monthly rent.

Look lovingly over your easy chair and bookshelves tonight. Your home will not feel as friendly and inexpensive when war comes.

Clothing

At the outbreak of hostilities, the American government will become the world's greatest mass house-keeper. Faced by the challenge of clothing and sheltering millions of men, the army and navy will develop overnight into the vastest buyer of goods that Time has ever known. The textile industry, like the munitions industry, will come under the thumb of the government. Even as this book is being written the War Department is completing plans for the placement of orders as soon as fighting becomes a fact. If these demands are not promptly met, some government bureau will move in, take over the cotton mill or woolen dyeing plant and run it as a national industry.

The effect will be that the clothes civilians want will be the last on the list to be supplied. That evening gown, that little velvet jacket, that sport coat, that chic felt hat—these will become luxuries in the war era and will be allowed only when the government gets good and ready. Meanwhile, from the horns of propaganda, will come lectures on fashion patriotism. The wife of the president, the heart-beat of Hollywood, the current glamour girl will praise in public the new “war styles.” These styles will be cut along military lines in such a way that a minimum of essential war-time fabrics will be used.

And what about prices? As the war progresses, they will steadily increase to the point where the mills will begin to earn profits. Then price fixing pressure will begin. In an effort to take profits out of war, the government will seek to peg the price of all merchandise offered for general sale. Likewise, substitutes will be ballyhooed by the experts as being not only equal in quality to the genuine article, but actually a great deal better. In the case of substitutes for silk this will be especially true. For at the first shot, the government will forbid the importation of raw silk. It will not countenance the peak prices of silk that existed during the World War. Raw silk sold for \$16 a pound in 1918 (as compared with \$3 in 1939). Thus the government will slap an immediate embargo on the Orient's principal export. All stocks on hand will be rapidly consumed.

In recent years the three vociferous nations—Italy,

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Germany and Japan—have taken steps to conserve their supplies of the natural textile fibers, cottons, silk, wool and flax. Mill owners have been instructed to use specified amounts of staple fiber in every yard of cloth they have turned out. Staple is as much a product of the Great War as tanks and poison gas. In reality, it is nothing more than filament rayon cut into lengths suitable for mixing with natural fibers.

The first widely known product of this type on the market was the Italian "Snia Fil." In the last few years Mussolini's chemists have gone even further; they have succeeded in making artificial wool from a sour milk or casein base. At the New York World's Fair the manufacture of this sour milk fabric made more visitors goggle-eyed than any other exhibit of our fascist companions.

The underlying cause of the intense emphasis by Italy—and Germany, too—on the development of artificial fabrics lies within the financial structures of these totalitarian dictatorships. They have no foreign exchange with which to buy raw materials; therefore, they must create their own substitute raw materials within their own countries. In the United States in these peace times this situation does not, of course, apply. But when war comes our republic, too, will find a growing scarcity of raw materials for fabrics and the time then will be at hand when our own mills will entwine artificial fibers with the fibers of nature.

In the case of wool, especially, this is bound to be

the fact. Wool forms the base from which, in civilian life, your suits, overcoats and warm blankets are spun and, in military life, your uniforms, trench outfits and bedding are made. It is an essential in the life of non-tropical people. Its lack would bring disaster in the form of pneumonia, tuberculosis, rheumatism and the hundred other plagues of exposure.

During the last war the government seized all available supplies of wool and allotted it to the mills. When these supplies began to dwindle, the mills were ordered to piece out fabrics with cotton and various waste products such as rags and by-products of wool. That's the clothing note on which we ended the last war. If the merchant had advertised his wares honestly, he would have published an advertisement something like this:

“Great Bargain. Only \$70. Suits for men, pure wool except for a little cotton, a few rags and other odds and ends. Better buy now before we throw in some grass fiber, wood pulp and birch bark.”

Since the war, our wool output has increased considerably. From 1917 through 1925 the annual wool clip in the United States varied between 228 and 226 million pounds. Beginning in 1926 vast new ranges were opened up in Texas. These were “wolf proofed” with the result that the annual production of wool since that time has fluctuated between 352 and 354 million pounds. In addition, the production of pulled wool (wool from the pelts of slaughtered sheep) has increased tremendously while the current annual pro-

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duction of mohair (goat's hair) has doubled since 1918.

At the same time, however, the population of this nation has increased enormously since the last war. It has grown from nearly 105,000,000 in 1917 to almost 130,000,000 in 1939. And no one even casually would suggest that our annual supplies of wool would be adequate to carry us through a war without the use of rayon substitutes.

Now, just how effective are these substitutes in a military campaign? Mussolini himself wanted to know. So he tried it out in the Ethiopian War. Clothed in spun rayon fabrics, his fascist troops swept successfully on under the African sun. A careful check was made and it was found that a soldier in a rayon uniform could kill just as many Ethiopians as a soldier in a pure wool outfit.

Transportation

In the last war the federal government temporized with the railroads. At the start, a railroad board was set up with prominent executives in the field running the lines as a private enterprise. But this system failed. After a few months the government took over the railroads completely.

When the next war comes, there will be no dilly-dallying, no hesitation. Within the first hour Washington will assume complete control of the six hundred odd rail lines of the nation. At the same time, the vast network of truck and airplane lines will come under government domination.

Washington, like a giant chairman of the board, will run every major means of transportation in the country, so that the orders of its military forces may be carried out smoothly.

Schedules will be revised immediately. Duplication of service will be eliminated. Does one transcontinental line have a train leaving at 7 p. m.? Fine. No other transcontinental line need operate on this schedule. Does one truck line service backwoods fruit lands of Florida? Excellent. No other line need run through this district. Does one air system cover southern Ohio adequately? Splendid. No other ships need fly over this territory. Time tables will be checked, lines consolidated, personnel shifted to effect the greatest possible saving of fuel, man power and rolling stock.

Three million men under arms in three months!

This is the slogan that has been mentioned on many occasions recently. If it is possible, it will be possible only through the faultless efficiency of the railroads, truck lines and air systems. They will carry the men and arms and food for fighting; they will keep alive the civilian population back home.

As a result, every shipment will be scrutinized with a military eye. Every carload of merchandise will be classified. Goods for war use will be placed in the first or second classification. Foods and other supplies for civilian populations will be given preferred classifications only if the public need is shown. Luxury goods will be loaded into cars and trucks only after the essentials have been started on their way.

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Manufacturers with government orders will find it necessary to secure special permits for the shipment of raw materials. Certainly the private shipper will get little attention when the order is given to move more trains for food, more trains of coal, and fuel for factories operating on government orders.

In the World War, the railroads and the Emergency Fleet Corporation for ships crossing the ocean took more than twenty per cent of the total money spent by the United States for all war purposes. The railroads of the United States alone cost the government over half what was spent as pay for the men in uniform. The supplies and rolling stock for the landing facilities of the American Expeditionary forces abroad cost five times as much as the supplies and equipment used to build the Panama Canal.

Private car operation, too, will come under federal scrutiny. It will be restricted by the allotment of gasoline. No matter how great the stocks of fuel at loading points on railroad lines, no matter how vast the stocks of gasoline or crude oil or coal, conservation measures will be put into operation immediately.

To insure a steady operation of all forms of war transport, huge supplies of fuel will be placed in reserve by the government. Once the reserves are built to the point experts will call safe, the civilian population may be considered, but by that time plans will have been projected for greater expansion, for faster moving of supplies and munitions and new demands will be made.

In the days of the World War we had gasoline-less Sundays, enforced mainly by the weight of public opinion. When war comes again, there will be no waiting for public opinion to operate. As fast as the machinery can be put into operation, rations of gasoline will be made on the basis of public necessity and national good. Soon you will be given a gasoline card; you will have to prove your need for gasoline; and if you cannot prove this, you will be turned away with only enough "gas" to take you home.

With travel restricted, gasoline rationed, truck lines and bus systems cut down, the average citizen suddenly will become aware of his great reliance on the transport systems of the nation. To insure the orderly process of business life the government will attempt, through regulation and military policing, to keep open the transport lines of the nation. This will necessarily include careful attention to the labor problems in the transport field.

The government policy as regards labor will be tested first in the transport systems. Stevedore and driver strikes will be avoided by every possible means, with government ready to give in to unreasonable demands to the point where public need will compel harsher steps to be taken.

In these fields women will begin to take an aggressive part after the war gets really under way. They will work as taxicab drivers as long as private cabs are permitted, as chauffeurs for government officials

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and as ticket takers and perhaps as drivers in motorized transportation.

The efficiency of transport systems in general will be slowed down, not because the workers are women, but because so many of them are new in their jobs. Each extension of the draft will take more workers from Industry, either from industries once considered essential and later classed as non-essential or in age classes at first passed over. Each new draft will bring a new flood of untrained workers into the service of the general public as the original workers pick up the weapons of war.

Communications

Of all the public services within this country the telephone, telegraph and radio network are best equipped to face the emergency of war. For communications are in a perpetual state of preparedness. Storm, flood, and fire are their constant enemies. It will be no mighty shock to them when war comes. They will accept the increased load of military transmission without any great slowing down in the regular daily service.

Ever since the last war the telephone industry, in particular, has been making ready for another such catastrophe. Their engineers have been working head-to-head with the experts in the army and navy. Their discoveries, bright from the laboratory, have been reported without delay to Washington. Plans and maps

of their wide webbed systems have been filed away in the archives of national defense. So intimate, in fact, has been the co-operation between the military chiefs and the telephone companies that already a vast scheme has been completed by which transmission could be put on a war footing without a moment's delay.

In the fall of 1938 this scheme was tested in part. The army, conducting its annual war games, mobilized the telephone companies of North Carolina to help block an airplane attack on Fort Bragg by an "enemy" from over the seas. The program of defense, laid down by the army chiefs, was elaborate and intricate—and it involved 39 counties in the state. Here is how it was carried out:

Two thousand farmers, merchants, doctors, lawyers and housewives were mobilized as non-military observers. They were to detect the approach of hostile aircraft, and, like modern Paul Reveres, they were to warn the defending troops. At General Headquarters at Fort Bragg a huge map had been built; tiny light bulbs indicated various parts of the state. Around a telephone switchboard and facing the great map a group of officers waited tensely on the night it was thought the "enemy" would roar in from the sea. Midnight came. One. Two. Three. Four. "Must have guessed it wrong. They're not coming tonight." Just as one of the officers said this, a signal buzzed on the switchboard.

"They're coming," called the operator. "The coast

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guard at Cape Lookout reports many airplanes heard. Medium altitude."

"Good," retorted the officer in charge. "Instruct the radio stations to order a blackout of all homes, factories and stores. Advise the public utility companies to turn off electricity within a reasonable time."

Turning to the immediate job of defense, he then ordered all crews to the anti-aircraft guns and gave commands which sent scores of fast pursuit planes into the night.

Now the tiny bulb indicating Cape Lookout on the map was burning redly. In swift succession other bulbs flashed into color, as one by one the civilian observers telephoned the "terrifying" news.

"Flash!" they'd say. This indicated to the operator in their town or city that they were the army's "eyes" and she'd put them through immediately. "Flash! Flash!" they'd repeat. "Planes have just passed overhead. Scores of them. Flying West."

Through the tiny lights on the map the officers in charge were able to follow precisely the approach of the "enemy" craft—70 giant "flying fortresses." They could then inform the defense pursuit planes by radio of the course being taken, so that they could engage them far from the vital military center of Fort Bragg. And the outcome of this mock warfare? Most of the huge bombers were turned back. Those that did slip through could easily have been demolished by the anti-aircraft artillery.

This is the most dramatic instance in which the defense forces and the local services have been closely linked for battle—and the cooperation clicked so smoothly that no North Carolina resident missed a single call.

Geared to such performance, the telephone companies are also ready to aid the government in other scientific means. Through telephoto, for instance. At any time maps, photographs, mechanical designs of all kinds will be transmitted over the wire to every army unit in the nation.

The teletypewriter, too, will be indispensable in army movements. In May 1939, for example, during army war games in the East a teletypewriter system was set up connecting G.H.Q. at Mitchel Field with the other seventeen air bases scattered from Massachusetts to Maryland. Switching equipment permitted the hooking together of the entire system. Under the direction of a signal corps officer, there flowed over these wires bulletins telling how the "war" was going, orders to the various units to scout an area, an attack by a theoretical enemy, weather reports and reports regarding the shipment of supplies.

This equipment was set up in record time. Within a month after the receipt of army orders the system was installed; about a week later it was in actual service. Never before had delicate communications machinery been correlated in such a brief time.

As for trans-oceanic communication, the telephone companies are in a far stronger position to assist Amer-

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ica and her allies than they were during the passionate days of the last war. In 1915 for the first time speech was successfully transmitted across the ocean—from Arlington, Va., to Honolulu and across the Atlantic to Paris. Now it is possible for any telephone in the United States to reach virtually every country in the world; sixty-six nations and dominions are thus coupled with our empire, ninety-three per cent of all telephones on the globe. Such scientific might will give America a tremendous advantage in warfare.

It goes without saying that the enemy, aware of this power, will make every effort to "jam" our trans-oceanic voice communication. He will set up interference in the ether to block our messages to our allies. He will attempt an aerial blockade. But engineers in our laboratories, conscious of this certain counter-attack, have conducted many successful experiments among the ultra-short waves wherein no interference is possible. These ultra-short waves will be thrown to the army and navy for immediate use when war comes.

At the same time, enormous progress has been made since the Armistice in the development of submarine cables. High speed telegraph lines have been perfected and laid down. New York is linked for a message to the Continent at any moment, and San Francisco can flash the Orient in less than sixty seconds. Thus if some gigantic disturbance of the elements should break the arm of short wave radio, America still will be equipped to communicate with her allies wherever they should

be. By the breadth of her scientific vision, America has made herself an inseparable part of the whole world.

Now what about man-power? We have assumed in the foregoing paragraphs that the war will be waged, at least in part, through bombers attacking these shores. Now let us see what will happen to the communications systems we use in our daily life if all the fighting is overseas. The army will need, of course, hundreds of additional engineers to build telephone, telegraph and radio networks on the battle field. Many will be drawn from existing jobs. Will their loss cripple the normal telephone service within the country? Walter S. Gifford, president of the American Telephone and Telegraph Company, was asked this question.

"At the outbreak of the war, as I remember it," he said, "the Signal Corps staff of the army numbered 1,600; this the Bell System as their part of a co-operative undertaking matched three for one, supplying in the space of a few months some 4,500 engineers, installers and operators. The telegraph and independent telephone companies supplied a proportionally large number of trained men . . . The supplying of these 4,500 highly skilled individuals had been arranged so as to leave unhampered and uncrippled the ability of the normal service to cope with the problems of unprecedented demand and the training of new personnel."

If this were true in the last war, it would be more certainly the case in the war that's coming. For, con-

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tinued Mr. Gifford, "the communication industry is better prepared in every way to carry a war time load today than it ever has been before."

In addition to the skilled engineers plucked from the professional ranks, the army will have hundreds of America's 45,000 amateur short wave radio enthusiasts to call upon. Every one of these 45,000 "ham" stations will, of course, promptly be closed down. No longer will the short wave bugs enjoy the exquisite pleasure of chattering back and forth through the ether with their unseen buddies from Bangor, Maine, to Bangkok. Some of them will be drafted into the Signal Corps; others will be assigned as radio sleuths to track down illicit short wave stations; while still others may be hired by the expanding broadcasting networks.

What, you ask, will befall broadcasting when the war storm breaks? Will it be taken over by the government? This could happen. The President has the power to nationalize broadcasting in the case of a major emergency. The frame-work of the Federal Communications Commission, gaunt off-spring of the Federal Radio Commission, makes this possible. But it is unlikely that this power will be invoked unless the United States actually is attacked. It is much more probable that as soon as war is declared an army officer with a staff of code experts and propagandists will be assigned to every principal radio center of the country.

For the most part they will act as super censors.

All commercial copy will be carefully scrutinized to prevent any possible insertion of messages to enemy spies. All radio speeches bearing on any phase of the war or national conditions will be gone over with the fine tooth comb of military conservatism. All news bulletins will be edited to conform with the government point of view.

The government itself will, of course, fill much of the radio day with bulletins of its own, descriptions of battle, tales of dough-boy heroism and other patriotic material. Many of these broadcasts will come directly from the battle fields. Nurses, doctors, generals, special correspondents will give eye-witness accounts of the battle being waged. American victories will be emphasized; the enemy's casualties will be played up. Radio will become the greatest single factor in rallying the nation around the military program of Washington.

And as such, the army will guard every leading broadcasting center in the nation with actual detachments of men. These soldiers will prevent any effort on the part of subversive elements to seize control of the ether and to choke the loudspeakers with anti-war propaganda. In Austria, Spain and Cuba the radio systems actually were captured for a few hours by revolutionists with dire results to the nation. The army has resolved that this must not happen here.

As for commercial telegraph, the government here too will promptly assume absolute powers of censorship. Every message will be examined by an army or navy code expert before being transmitted. And if a

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suspicious word or phrase is found, the sender will be called before a military board for a satisfactory explanation.

The Public Utilities

If New York is attacked in the next war, one of the first objects of the enemy bombers will be the electrical power stations. For if power were destroyed, the morale of urban society would be shattered. General Franco knew this fundamental fact of modern existence very well. This is the reason he instructed his air fleets in their relentless assaults on Madrid and Barcelona to destroy the electrical nerve centers.

If electricity were wiped out, humanity would become as helpless in its subways and skyscrapers and streets as a little child in the clutch of an evil dream. No lights to see by, no trains to take you home, no wires to talk by, no elevators to lift you to the door. Darkness. Thunder. Frantic running here and there. The bright, well-ordered pattern of New York would become, in a few hours, the City of Dreadful Night.

It is a terrifying vision! And yet, under certain circumstances, how readily it might become reality! If the city were scantily defended, if the enemy's planes were devilishly efficient, a half a hundred well aimed bombs, shattering the thirteen power centers of the city, might conceivably create such chaos.

These centers range from the gigantic 770,000 kilowatt station in Hudson Avenue, Brooklyn, at the Navy Yard—largest plant in the world—to the smaller

stations along Manhattan's murky rivers. They include stations over the bridge in Long Island City and up in the Bronx at Port Morris which supply power to the Pennsylvania and New York Central railroads. They cover the three plants, on the East and Hudson rivers, which are leased by the subways. Enormous ganglions of might, creating the almost inconceivable power of three million kilowatts. Their locations are well-known; it is inescapably true that every potential enemy already has charted every one of them.

And in charting them the spies, it is certain, have jotted down, you may be sure, notes telling the effect on the city when one of the great power centers actually did go dead. This was in 1936. A short circuit in the great 605,000 kilowatt station at Hell Gate of Consolidated Edison affected the feeder lines and plunged most of the city north of 59th Street into darkness. Swiftly moving crews quickly began the job of repair, and little by little light and power gradually were restored. The accident occurred at 4:16 P. M.; by midnight most of the city again was basking in the safety and comfort of electricity.

But during those eight hours fearsome things happened to Manhattan. The Eighth Avenue Subway was stalled. Trolleys were halted. Traffic lights went out and cars crept cautiously through the black. Operations were performed by candle-light. Children came into the world under the yellow flicker of matches. Movie houses were closed, restaurants could not do

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business, elevators hung at the floors where they had stopped when the sickening flash came. Virtually the entire police and fire forces were called out to handle the emergency.

This catastrophe gave New York a preview of the black terror that could come if we were ever attacked by raiding bombers. It is a dreadful dream.

But this dream is not likely—thank heaven!—to come true at the start of the war and never at all unless the sweep of battle turns against us. At the first onslaught the suppliers of power—the utilities companies—will be faced by another problem. The problem of maintaining their service without slack, despite the increased demand because of war manufactures and the loss of men through the draft.

Will they be taken over by the government?

During the first world war this was not the case. A public utilities board was organized to co-ordinate the activities of all light and power companies. But the actual management of the various companies was left entirely in private hands.

Since the last war, however, the government has had a great deal more experience in the field of utilities than it had in the expanding days before 1914. It actually owns and operates one great utilities project—at Muscle Shoals. It has dissolved holding companies and thereby changed enormously the character of these organizations. When the next war does come, it is more than likely that this time the government will

take them over completely. It will go all the way. And as an ironic note, it probably will organize itself into one gigantic holding company.

At any rate—and no matter what the set up—you may be sure that the government will supervise your use of electricity. Orders will tell you how much you may use. There will be heatless days and lightless days. One day a week you will be ordered not to use your electrical devices. One night a week you will be allowed to light only one bulb. Your radio, your electric iron, your vacuum cleaner, your hair curler—all will be subject to instructions from Washington.

Medical Supplies and Services

War will have both a depressive and stimulating effect on American medicine. On the one hand, it will rob this country of many of its finest doctors and surgeons and of large stores of essential drugs. On the other, it will offer medical men a vast laboratory by which to improve their techniques and to add to their knowledge.

In the First World War, when modern means of killing were first tried on a broad scale, surgery was faced by hideous problems never even suggested in peace times. Limbs were ripped from strong young bodies. Shoulders and hips were crushed and feet were shattered. Blood vessels and arteries were ripped open for the bacteria of squalid trenches and mud holes to attack.

Out of this horror of man-mangled-by-man the mili-

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tary surgeons and doctors developed skill in certain fields that had never been reached before. Just as that great war doctor of the Middle Ages, Ambrose Pare, discovered the use of ligature when a surer means of staunching the flow of blood became a necessity, so the doctors of the last war improved their methods when called upon by a more terrible need.

Plastic surgery, for example, was practically born out of the tragic years of 1914-1918. Jaw bones were replaced by metal plates and flesh was grown over gaping holes in cheeks and chests. Miracles were performed in the reconstruction of tattered bodies to such an extent that thousands who otherwise would have hidden themselves in hospitals and behind curtains, because of shame, now can look the world in the eye with confidence. At the same time, enormous improvements in many other types of surgery were realized, especially bone surgery which always had been—and still is, even today—a vast, unexplored medical world. Antisepsis was improved; the Carrel-Dakin solution, for example, was discovered. Anesthesia was carried beyond hitherto accepted standards.

Yes, the war did give a certain impetus to many phases of medical practice. But, as far as the civilian back home was concerned, the murderous conflict over there had a baleful effect on his health. Medical services were curtailed; they will be even more sharply cut down when the next war falls upon its victims.

The family physician, if he is not actually called to the colors himself, will give you only a fraction of the

accustomed time during a visit. For thousands of his confreres will have joined the ranks, given up their practice, deserted by necessity patients who have depended on them for months or years. Younger faces will appear at your bedside. The nation must have medical care and so the standards at medical schools either will be lowered or winked at.

Epidemics will become much more common. Without a sufficient number of physicians to cope with immediate threats to a community's health, disease will spread with all the vicious aggressiveness of the Spanish Influenza in 1918. Diseases that have lain dormant for a period of years conceivably could burst into flame again and sweep the nation like a fire running across a prairie. We have succeeded, through increasing wisdom and constant medical watchfulness, in raising the life expectancy enormously since the turn of the century. In one fell plague, created through lack of medical facilities, it would be possible for this expectancy to tumble so radically that all that had been gained by civilization would be lost.

Research laboratories would be closed, for doctors must give up test tubes for practical treatment when war comes. Hospitals would be filled with the returning wounded, making it impossible for children and women and youths to find beds for their care. Certain drugs, especially those made to soften pain, will be less common and much more expensive.

Shells and poison gas, bombs and liquid fire will injure those at home as well as those in the trenches when the next war comes.

Chapter V

Your Person

By W. W. Chaplin

Chapter V

Your Person

WHAT CHANCE have you to survive the coming world war, for which all the nations are preparing?

No definite figures are possible, because there has never yet been a war such as the next will be. But a review of what happened in past wars, and what preparations are being made for this one, will give an approximate idea of things to come.

One thing is certain. In modern war, the survival chances of civilians are diminishing more rapidly than those of soldiers.

In the first World War aviation was just testing its wings. The airplane was a new weapon of recognized potentialities, but it was still largely a weapon used by soldiers against soldiers.

The Germans did bomb London, but the casualties were few and the damage slight. They weren't serious enough to make the raids worth while from a military standpoint.

Yet even then war took its toll from civilians as well as soldiers. The Carnegie Endowment for International Peace estimates the capitalized value of lives lost in the World War thus:

Soldiers	\$33,551,276,280
Civilians	\$33,551,276,280

On the theory that a dead civilian and a dead soldier are of equal value, that would seem to indicate that matters stood about even.

Of course that doesn't mean that your chances of being killed are just as great whether you are a civilian or a soldier. Supposing the number of civilian killed and soldier killed to be the same, your chances are still far better if you are a civilian, because the total of civilians usually far outnumbers the total of soldiers.

Even when civilian casualties outnumber those of the fighting men, as many believe they will in the next war, the ratio of survival will still be in your favor if you are a civilian.

The casualty percentages of soldiers mobilized in the World War ran all the way from eight per cent for the United States to ninety per cent for Austria-Hungary.

That comparison offers a very good indication of your chances in war if you are a soldier. America had troops on the battlefield considerably less than a year and had eight per cent casualties. Austria-Hungary was in more than four years and had 90 per cent.

That leaves this inescapable conclusion: if a war lasts long enough every soldier will reach the casualty lists; killed, wounded, prisoner or missing.

The speed with which an army is consumed depends partly also on training, discipline, service of supply,

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wisdom of the officers, and support from behind the lines.

This is shown by the numbers killed in the armies of the following nations, which were in the World War for varying lengths of time:

You can make those figures tell their story to you, the story of what your own chances would be, by remembering how big the army of each was, and how long each country was in the war.

You can come nearer than the World War, of course, in estimating the difference of your chances if you are to be a soldier or a civilian.

Take the Sino-Japanese War as a modern example. At the end of the first year of that conflict a correspondent in China for the *New York Times* estimated that civilian deaths and casualties from bombings, depredations in captured cities, disease and the privations of war, were equivalent to the dead and wounded in the army. That would be about 700,000 civilians to match an equal number of soldier dead and wounded.

Again the totals, though not the percentages, remain about the same, whether you are soldier or civilian. That is, over a span of 20 years, there was little change in such war statistics. But there is every reason to believe that they will be radically changed in the war now brewing for you.

The reason for that change is the advance in aviation, which has never yet been used in more than tentative fashion. You may disagree with that state-

TROOPS ENGAGED AND CASUALTIES OF ALL BELLIGERENTS IN THE WORLD WAR—Estimated
 (Compiled by the War Department in December 1922; checked up on September 15, 1936).

	Total Mobilized Forces	Killed and Died ^a	Wound Casualties	Prisoners and Missing	Total Casualties	Per Cent
<i>Allies</i>						
Russia	12,000,000	1,700,000	4,950,000	2,500,000	9,150,000	76.3
France ^b	8,410,000	1,357,800	4,266,000	537,000	6,160,800	73.3
British Empire ^b	8,904,467	908,371	2,090,212	191,652	3,190,235	35.8
Italy	5,615,000	650,000	947,000	600,000	2,197,000	39.1
United States ^c	4,355,000	126,000 ^d	234,300 ^d	4,500	350,300	8.0
Japan	800,000	300	907	3	1,210	.2
Romania	750,000	335,706	120,000	80,000	535,706	71.4
Serbia	707,343	45,000	133,148	152,958	331,106	46.8
Belgium	267,000	13,716	44,686	34,659	93,061	34.9
Greece	230,000	5,000	21,000	1,000	27,000	11.7
Portugal	100,000	7,222	13,751	12,318	33,291	33.3
Montenegro	50,000	3,000	10,000	7,000	20,000	40.0
Total	42,188,810	5,152,115	12,831,004	4,121,090	22,089,709	52.3
<i>Central Powers</i>						
Germany	11,000,000	1,773,700	4,216,058	1,152,800	7,142,558	64.9
Austro-Hungary	7,800,000	1,200,000	3,620,000	2,200,000	7,020,000	90.0
Turkey	2,850,000	325,000	400,000	250,000	975,000	34.2
Bulgaria	1,200,000	87,500	152,390	27,029	266,919	22.2
Total	22,850,000	3,386,200	8,388,448	3,629,829	15,404,477	67.4
Grand Total	65,038,810	8,538,315	21,219,452	7,750,919	37,494,186 ^e	57.6

^aIncludes deaths from all causes.

^bOfficial figures.

^cIncludes "Died of Wounds" (14,500).

^dSee note "d".

^eIncludes Marines serving with the Army.

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ment, and point to recent bombings of cities in Spain and China as proof that aviation has shown its teeth to the full. That is nothing compared to what you may expect in the next war.

Italy first used aviation as a systematic method of warfare when it bombed the thatch-hut villages of black natives in Ethiopia. Germany got the idea and both she and Italy expanded it considerably in Spain. Japan adopted it in China.

In those latter two wars dozens of cities were bombed and thousands of people killed or injured. Damage mounted into the millions. Many experts who counted both cost and results will tell you that such bombing proved a failure, a false hope of the aggressor nations. But they overlook one fact. The bombing in Spain was just practice for what is to come. Neither Germany nor Italy really threw their whole air strength into their raids. It was an experiment, and cost is a negligible item in experimentation.

Toward the end of the Spanish War, American Ambassador Claude G. Bowers said on a visit to the United States that air bombings in Spain had failed of their objective so far as destroying civilian morale goes. And military experts will point out to you that bombs have failed to bring great buildings crashing to the ground. The sixteen story American-built telephone building in Madrid, Spain's lone sky-scraper, withstood repeated bombing.

Windows were blown in, pieces of the wall were torn away, chunks of the cornice were knocked off.

But the building still stood and the girls remained at their switchboards completing calls over as many wires as could be kept in repair.

That is all true. Bombing of cities from the air, on the face of the record to date, is a military and financial failure. But the record is not completed. There are other pages, in the writing of which you will have a part.

Germany and Italy were using the Spanish War merely as a proving ground. They were new air powers and they wanted to try their strength; to try it without entirely disclosing it to the world. They were practicing for the great war they are convinced is coming between the democracies and the totalitarian dictatorships.

The curtain was lifted slightly on events to come when Prime Minister Neville Chamberlain visited Chancellor Adolf Hitler in September of 1938 to plead the cause of Czecho-Slovakia, which both France and England were bound by treaty to defend.

Chamberlain was bluntly told by Hitler that if England insisted on interfering with German plans, London would be visited by 100 planes an hour for 24 hours, planes flying above the reach of anti-aircraft guns and carrying tons of bombs.

That threat seemed to unveil the true picture foreshadowed by the bombings in Spain. Yet it was anything but a complete picture. Hitler was still dealing in under-statement, using only as much pressure as he thought necessary.

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Germany has between five and ten thousand planes; Italy almost as many, which Germany could draw on. Why, if Hitler decided to knock England out of the war before it could get started, should he limit himself to 100 planes an hour? Why not 1,000?

Flying at 20,000 feet most of the bombers would escape destruction by defending forces. That means such a raid could be kept up almost indefinitely and under that rain of death no city could stand.

When that kind of warfare starts you will be less safe if you are a civilian and resident of a major city than you will be in the trenches.

Even the 100-plane-an-hour threat, though, was enough to make England and France stay their hands in the Czech crisis. Neither country was ready to meet such an attack. Instead they increased taxes, began conscription in England, abolished the 40-hour week in France, threw their whole national effort behind preparing for the war that the Hitler threat forecast.

America was kept closely in touch with all developments and she too has been crowding forward, building ships, authorizing a greatly increased air fleet, planning in every way for the war in which you will play some part, if only a passive one.

The Democracies are at a distinct disadvantage in this coming war. In the first place, because they had no desire for war they were slow in starting to make ready for it. In the second place, democratic morality will prevent them from taking the initial major action, the bombing of cities.

The dictatorships, held back by no such scruples, will have the advantage of the first blow. And this may come so suddenly that you will have no more warning than being blown out of your bed, to which you retired with no thought that war was more imminent than it has seemed last week or last month.

You are, of course, at least 3,000 miles from the cradle of war, but that is an illusory protection. There have been too many ocean flights in the past few years to leave you with any firm belief that such distance spells safety. There may never again be an A.E.F. but there is no reason to believe that war from the air will not come to us. It is authoritatively known that both the Japanese and German general staffs have detailed plans for air bases in Central American countries. Their engineers have surveyed possible landing fields, airports, etc., and land already has been cleared for this purpose, according to reports coming up the grape-vine channel from the South.

The use of poison gas has had a peculiar history in warfare, but that history has not been completed.

First used by the Germans in the World War it was adopted by all other belligerents, including the United States. In the pendulum swing of disarmament after the armistice it was outlawed by the League of Nations.

It was not used, despite various unfounded charges, by the Italians in Ethiopia. It was not used in China by either side nor in Spain by any of the contending parties. Why not? Why did the modern aggressors

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who discarded all other rules of "humane" war keep to that one rule?

The answer is simple:

Gas warfare more terrible than the World War ever experienced was not indulged in because the new gases were being saved for you.

The use of poison gas was outlawed after the World War, but no ban was placed on laboratory development of new and more deadly gases. And there is no record of any country which had such implicit faith in those treaties that it refrained from such experimentation. The chemical warfare division of the U. S. army, for instance, still functions.

Gas became increasingly effective during the World War, as use of phosgene and chlorine was gradually supplanted by mustard gas. It will be still more effective in the next war, when it is used against you.

It wasn't used in China and in the practice war in Spain because gas once loosed upon the air, or ploughed by explosives into the ground to be drawn out by the sun, can be imprisoned in a test tube. It can be forced to disclose its identity in laboratory third degree.

The fact that gas has not been used since the World War can only be logically explained by the fact that warring nations haven't been willing to divulge the secret of their new gases. Not until the next World War makes its use worthwhile.

Gas will come to age in the next war along with aviation. Gas shells were used against soldiers in the

World War. Gas bombs will be used against civilians in the war to come.

And that is one more reason why your chances will be smaller than ever before if you are a civilian in that conflict.

Germs?

There were scare rumors even during the World War that one country or another was preparing to spread germs among the enemy, to start an epidemic which would wipe out an entire people without cost to the aggressor.

Most rumors were that such germs would be shot into enemy territory by long range guns or dropped in bombs from planes or dirigibles.

Such fears have been allayed by scientific proof that the explosion of such shells or bombs would kill all the disease germs they carried. Scientific proof, of course, has also been trotted out at various stages of mechanical development to show beyond any question that steamboats were impractical, automobiles impossible, airplanes a dream, and radio broadcasting just plain nonsense.

There is no use saying anything is impossible just because it has never been done and no formula for doing it is known. If a country hard-pressed in war wanted to plant germs in enemy territory, it would find a way to do so.

A much more likely reason to believe you may be spared that particular type of warfare is that disease

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is too hard to control to restrict it to the regions for which it is intended.

That same trouble was experienced at first with the use of gas. It was sent over in clouds, carried on the wind from one front line trench to the other. But the wind occasionally changed and the gas came blowing back on the senders.

That problem was solved by putting the gas in shells and shooting it farther than any wind could carry it back. And also the trend was away from the quickly dispersing gases to mustard gas, which settled on the ground and was effective for days, vaporizing in the sun. Many World War soldiers were severely gassed who never even heard the peculiar plop of a bursting gas shell. They were merely so unfortunate as to move into an area which had previously been thoroughly doused in mustard.

But the problem with germs would be far more difficult. A germ campaign doesn't respect frontiers; it might turn into a disastrous boomerang.

The hoof-and-mouth disease of cattle is an instance. This disease is caused by a virus which scientists have been unable to isolate. So far no quarantine methods have been found that are one hundred per cent effective. The virus can be carried in a number of ways, and the disease sporadically crops up in sections hundreds and even thousands of miles apart. Inoculation against the virus is a discarded hope, because no one knows exactly what the virus is. When the disease strikes only one thing can be done; all diseased cattle

and all cattle that have been exposed, even though at the time they may be perfectly well, must be destroyed and buried deep in the ground. Otherwise an epidemic that can attain disastrous proportions will result.

Control of the hoof-and-mouth disease has been difficult. Farmers in sections where the disease has been reported have frequently spirited their herds out of the locality, because, even though the government pays for herds destroyed there are other losses involved which the farmer must pay. In almost every instance the herds surreptitiously removed from infected areas have contracted the disease by the time their owner has gotten around to moving them. In this manner the contagion spreads. By a long and arduous program of education our Department of Agriculture has convinced most farmers that the only way the hoof-and-mouth disease can be controlled is by thorough, positive co-operation.

Even active co-operation is not enough. Several years after the last war several of our states were swept by hoof-and-mouth epidemics that decimated livestock resources. Herd after herd was destroyed and buried deep underground. Millions of dollars were spent to replace these herds. Slowly the epidemic began to wane; finally the men from the Department of Agriculture thought they had it licked. Then, suddenly, the disease flared up again. It was unbelievable! Where had it come from? Men from the Department had combed the country for diseased livestock and had destroyed not only every animal which had con-

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tracted hoof-and-mouth disease, but also every animal that had been exposed to it. Every farmer with livestock had been personally visited and his herds inspected. Where and what was the loop-hole through which the virus staged its dread comeback?

The answer set the Department back on its heels. It was deer! Deer, grazing with livestock on the western ranges, contracted the disease from the cattle. In turn they spread it to other deer. These in turn spread it to the healthy new herds.

Now it's one thing to go into a farm-yard, rout the cattle into a corral, Tommy-gun them to destruction, and bury them with ditching machines. It's quite another to repeat the performance with deer. First you have to catch the deer. Then you have to quarantine it until you are sure that it either has the disease or hasn't it. Our supply of deer is none too large. You can't go around shooting them indiscriminately on the off-chance that the quarry will prove to have hoof-and-mouth disease.

It was a gigantic job but the Department accomplished it. Today hoof-and-mouth disease in this country is under control. In other countries control is not so effective.

Suppose, then, that enemy espionage agents spread a hoof-and-mouth epidemic in this country. Properly organized they could, in less than a fortnight, infect key herds from coast to coast. Their efforts would probably be close to a hundred per cent effective in the huge "milkshed" areas that supply our large

metropolitan centers. In other areas, contagion could easily be spread to 30 or 40 per cent of the herds before we became aware of what was happening.

Understaffed by the conscription of able-bodied men for our armed forces, our agricultural agents would swing into action. Again we would take our diseased herds and slaughter them *en masse*. We'd have to in order to protect the herds which might escape infection.

Thousands of babies and growing children would be deprived of the most important item of diet; first, because the supply of fresh milk couldn't begin to fill our needs, second because the price of milk would be prohibitive for most wage-earners. We would turn immediately to canned milk and milk powder, to soy bean milk flavored with banana oil, to coconut milk and other substitutes. But the sudden demand would catch our milk canneries short. Orders from every section of the nation would completely disorganize shipments to wholesale and retail distributors . . . and when shipments finally would be straightened out, the supply wouldn't last much more than a week.

Meat prices too, would skyrocket. They in turn would force up the price of eggs, cheese, and other commodities to which we would turn for proteins. Butter couldn't be had. Every industry which relies on the raising of livestock for raw resources would be forced to quadruple their prices on finished goods. Shoes, for instance, would sell for five and six times their normally high war-time price.

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The most lethargic of imaginations can envisage the deprivation, disease and death that would result.

But we would pull through. We've got gold.

For seven years our federal government has been hoarding gold, buying it in the world market, paying for it in paper dollars (U. S. credit), storing it in fortified vaults. Today we have three-fifths of the world's gold supply—more than all the rest of the world put together.

In normal times we have no earthly use for all that gold. It's more than we need as a basis for our currency. Many economists, in fact, consider such a vast store of the yellow metal a distinct liability to our economy. Both the admirers and the critics of the present Administration have beseeched it to get rid of our surplus gold stocks; the Administration has turned down all such pleas and *has failed to reveal the reason for its gold-hoarding program.*

There are two possible reasons. First, our super-abundant gold could be used to control a post-war inflation. Second, gold is the most marketable commodity in the world; if we were faced with a severe food shortage due to a nation-wide hoof-and-mouth epidemic, orders for essentials would go out to every neutral country, to be paid for in gold and at a good price. Our tremendous gold supplies would then be indispensable. They would enable us to obtain the food essentials our people would need.

And right there the germ campaign would pause in its path and boomerang right back upon our enemy.

With our gold we could buy food and clothing from neutrals, the only possible suppliers. Our enemy, if it is Germany, Italy or any of the other totalitarian states would have no gold or foreign exchange; and today, in "peace" times, they are hard-pressed for foodstuffs. Our sudden demand for all the available food the world can supply would leave them without any food resources whatever.

Our enemy might be able to carry on war for a few weeks with rations eked out of *ersatz*, but soon their troops would mutiny and victory would be ours.

Victory? Call it victory if you like. I hope you, with your belly blown up like a balloon from malnutrition, with your children dead of hunger in your arms, will be here to enjoy it.

Disease remains, however, one of the greatest dangers of war, resulting from lack of sanitation and under-nourishment. Epidemics are more common in war time than in peace and more apt to reap their greatest harvests among civilians rather than soldiers.

This was not always the case. Napoleon's army was decimated by disease and most of the old-time armies lost more soldiers through disease than battle. That was because little was known of sanitation and preventive medicine.

The modern army is probably as healthy a group as can be under crowd conditions because its health is carefully tended, injections are enforced, and nourishment is maintained at whatever sacrifice to the civilian population may be necessary.

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Precaution has done away with much of the epidemic danger among armies. Italy expected a terrific death toll from malaria, typhoid and far more noisome diseases when it invaded Ethiopia. As a matter of fact it got off very lightly, largely because of precautions. A doctor on an Italian liner told me that every Italian ship's doctor was given a special course in tropical medicine for six months before that war was begun. So were hundreds of other doctors. When the war started they were all sent to the war zone where tremendous hospital facilities had been prepared. I met one Italian doctor in Mogadiscio on the Indian Ocean front who had been persuaded to give up a flourishing practice in Brooklyn to help fight disease among the Italian legions.

As a result there was very little sickness among the Italian troops, though they lived for months in villages crawling with everything from lice to leprosy.

In the same way epidemics were avoided in the Spanish War, although of course that doesn't mean that there wasn't a good deal of loss from under-nourishment and the diseases springing from that.

If you are a civilian in the next war you will be more likely to suffer from disease than you will if you are a soldier.

For one thing, you won't eat so well, and your vitality and resistance to disease will be lowered. Besides that there will be such a drain on the medical profession to furnish doctors for the army that civilian care will be curtailed.

When the bombing comes and water mains and sewers crack under the explosions, unboiled water will be as safe to drink as hemlock. Epidemics which might never be possible in a strong people will lay hold of a weary and weak population. Do you remember the influenza of 1918? That was an epidemic; reaching around the war weary world. And it took more lives in the British Isles alone than any crowd sickness since the Black Plague of the Middle Ages.

If you're a soldier in the coming war don't worry about your general health; there'll be plenty of people assigned to worry about it for you and force you to take all preventive steps necessary.

If you're a civilian you must guard yourself and it will be a 24-hour job. Boil your water. Take injections against everything the doctors have injections for. Be careful about meat; remember that those bombings have probably crippled the refrigeration machinery somewhere along the road from pasture to plate.

Watch all that and lots more. You don't have to remember the list. It will all be included in government instructions delivered to every man, woman and child along with orders what to do when the bombs fall.

Unlisted Casualties

The usual casualty lists of war give the statistics of soldiers who are killed, wounded, made prisoner or just disappear. Less exact ones list civilians who die or are injured as a direct result of war.

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But you may be one of those on still a third list, who were the object of a scientific study by the Danish Research Society. The report of this study on the "social results" of the World War gives these figures:

	<i>Decline in Birth Rate</i>	<i>Increase of Death Rate</i>
Germany.....	3,600,000	2,700,000
Austria-Hungary.....	3,800,000	2,000,000
Great Britain, Ireland.....	850,000	1,000,000
France.....	1,500,000	1,840,000
Belgium.....	175,000	400,000
Italy.....	1,400,000	880,000
Bulgaria.....	155,000	130,000
Rumania.....	150,000	360,000
Serbia.....	320,000	1,330,000

That means that 10,640,000 persons died before their time because of the war, and the normal expectation of babies dropped 11,950,000. You yourself may help make up such a list of premature deaths after the next war. The children you hope to have may never have any existence except in such a list as that representing decrease in birth rate.

As a guide to help you figure your chances in the next war, whatever status you may have, it might be helpful here to list the following figures on the World War:*

Soldiers killed	9,998,771
Wounded	20,297,551
Prisoners	5,983,600
Refugees	10,000,000

*Compare War Department figures on page 182.

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War orphans	9,000,000
War widows.....	5,000,000
Death rate rise.....	10,640,000
Birth rate fall.....	11,950,000
Direct money cost.....	\$208,305,851,222
Indirect money cost.....	\$151,612,552,560
Total money cost.....	\$359,918,403,782

The above figures on soldier dead are compiled from the official figures of the various countries engaged in the war by World Peaceways. Those on direct and indirect money cost of the war are from the Carnegie Endowment for International Peace. The rest are from the previously mentioned study by the Danish Research Society. The conclusion as to the value of war to be drawn from these statistics, is yours.

Your Protection

Beyond purely military functions of defense there will be four main methods of protecting you against bombing during the war of the 1940s.

1. Gas masks, for everyone (if the war holds off long enough) from Grandma in the chimney corner to the baby in its cradle.

2. Bomb shelters (which you'll probably have to build yourself at first) for all whose delegated duties force them to remain near natural targets like cities.

3. Evacuation of cities so far as war work permits.

4. Blackouts.

Much of this program for your protection is still

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in the dream stage, some of it has got as far as blue-prints, and production is already under way to provide you with gas masks, if war is long enough delayed. Read this:

Edgewood Arsenal, Md., May 12, 1939—(INS)—The gas mask business is booming.

To keep pace with world events and the talk of war, production at the government's only gas mask factory has been speeded up.

The Civil Service Board announced today that a competitive examination will be held for gas mask assemblers.

Two hundred workers are now manufacturing approximately 800 masks a day. Newly installed machines will make possible a turn-over of 300,000 masks a month by 1,600 workers.

At that rate, the new speeded up rate, the peace-time regular army and the national guard, totaling just under 500,000 men, could be equipped with gas masks in less than two months.

But suppose you aren't in the regular army or the National Guard. Suppose you are one of the million men that War Department plans call for mobilization within three months of a war declaration.

At 300,000 masks a month it will take another three and a half months to outfit that crowd. And how about the great civilian masses not yet called to the colors or not eligible for such call? Suppose you're one of that mass? When do you get your gas mask?

Well, at the rate of 300,000 a month the whole of

New York City could be supplied in a little over two years. And everyone in America could be equipped (not counting the fact that gas masks are short-lived and have to be frequently replaced) in something over 30 years.

The situation isn't really as bad as it sounds. The fact does remain that the government has developed mass production machines and is training additional operators. As war approaches, the numbers of both machines and operators will be increased so that the supply will increase as the demand intensifies.

But when war comes everyone needs masks immediately, not in 10 years or 10 days or even 10 hours. They aren't available.

If you are one of those who may be caught without a mask when need arises the most available substitute is a room with doors and windows covered by soaking wet blankets. The gas will settle to the ground soon after a raid, but you must stay away from any pools of water, must not sit down outdoors, must not pick up anything off the ground.

So far as bomb proofs are concerned, we are completely unprepared. Every cabinet department, with possible exception of the Post Office, is known to have men working overtime on war preparation. But if anything has been done about protecting you from bombs in war it certainly hasn't got beyond the blueprint stage.

If you are worried about your own family and want to provide a bomb shelter against air attack, try writ-

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ing to congressman, to the War Department, for specifications. You will get answers, assuring you adequate protection will be provided for you and yours in any emergency, but you won't get specifications.

The best thing to do, immediately if you believe the peril imminent, certainly when the bombs begin to fall, is to build your own bomb proof. The shelter you can build yourself won't promise perfect protection, but it will afford some and anyone can build it.

England has built some small steel shelters with pointed tops to deflect bombs, and they have seemed effective in tests. But they are costly to construct and only protect a few. They're useless from your point of view because you have no facilities to make them and they're not on sale.

During the Czech crisis, when war seemed likely to break out momentarily in Europe, English officialdom became panicky because of its lack of bomb shelter. London's subways are deep and would offer some protection to a few thousands (they were used during the world war) but the great bulk of the population was left unprotected.

You read of trenches quickly dug in Hyde Park in London. Those were not trenches for soldiers. If an enemy army marched into London the time for trench warfare would be passed. Those trenches were for civilians to huddle in against bomb raids.

This same method is suggested for the individual and family in Shute's "Ordeal" which carries a lesson for you as well as for the author's compatriots. The

principal character in that book dug a trench in the middle of his lawn, six feet deep, six feet long and three feet wide. That was big enough to accommodate a couple of chairs, emergency rations and first aid equipment.

The main point is to get your head below the surface of the ground and yet not deep enough so that the earth will close over it from a close explosion. The hero of "Ordeal" had a practical idea also in driving his automobile over the trench. That afforded protection against bomb splinters and debris from buildings falling on the occupants.

The great point in favor of such a shelter is that anyone with a pick and shovel can make one for himself and his family, except such big city dwellers as have no yards. If you are one of those you will have to depend on the subways, or the sewers. Do you know, by the way, what lies beneath the street manholes nearest your home? Do you know which ones have ladders in them, which ones lead to dry caves among the mains and cables? Do you even know how to lift the iron lids?

National protection is so non-existent against this menace that the government is attacking the problem from a different angle. War Department experts have worked out an intricate system for evacuating the larger cities to such extent as may prove feasible.

The first step in such evacuation will probably be automatic and voluntary. No one stays by preference in a city under bombfire and so if you are able you

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will get your family out of the danger zone as quickly as possible.

If you have a car you will drive them into the country. If not, you will take a train if any are available, or you will walk. You have seen news pictures of roads in Spain and China clogged with the slow stream of refugees. That can happen here as well as abroad.

After the first wave of city dwellers have left the government will have to move the second, including the feeble, the poor, the children of families which have become scattered in the panic.

This can be done if sufficient transportation facilities can be spared from war duties.

Those who have country cousins will move in on them. If you have money you can perhaps rent accommodations outside the city. If you have neither relatives nor ready cash you will have to camp and forage for your food. That will soon create a situation of pandemonium and so the government will have to establish civilian camps, with tents if they are available, with barracks in due time.

The health problem after such an evacuation will become immediately acute. Masses of people living under conditions of poor sanitation are an invitation to epidemics of all sorts. It is quite possible that even before you can leave your city, or soon after you reach the comparative safety of a refuge camp, you will find yourself quarantined.

Spread of disease might well cause complete quar-

antine, freezing the population wherever it happened to be. In such case you will be forbidden to move from the spot you find yourself in at the time of quarantine, and soldiers will patrol the roads to enforce the ban.

After that arrest of evacuation, or accompanying evacuation, the last resort of government effort to protect you (besides anti-aircraft guns and fighting planes) would be the blackout of cities.

Europe has long been training in that. There have been practice blackouts in many cities. Voluminous instructions have been issued to all civilians. Leaders have been appointed for each small section of the population to see that instructions are carried out.

Only recently blue lights have been invented which give sufficient illumination to permit necessary movement in the streets without making the city visible from the sky. Also, black light to which specially painted markings and signs will respond.

For several years every householder in Germany has been obliged to have close fitting curtains for every window which shut out every ray of light when they are drawn. Frequent inspection makes certain that those curtains are in good repair and properly hung for immediate use.

No big city can be completely blacked out on short notice unless there have been minute directions and long practice. There have been no directions given you and you have had no practice. Yet the blackout is the only effective means of escape from bombing.

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You may have nothing to say about where you will live in wartime, but if you should retain any freedom of choice there are a few simple "don'ts" to keep in mind:

- Don't stay in a city, the bombers' easiest target.
- Don't live within miles of any munitions works.
- Don't live near a bridge, tunnel, railway or road inter-section.
- Don't live near a harbor or navigable river.
- Don't live near a factory or food depot.
- Don't live near a hospital, target of terrorists.
- Don't live on a hilltop where your house might be suspected of being a signal station.
- Don't use a completely isolated house, which draws attention to itself by its very isolation.
- Don't live near a radio station, main power line, water works or reservoir.

That leaves small villages or farm communities or a cave in the hills.

Your Family

You probably will be saved the necessity of choosing a proper home for yourself or your dependants, because such matters will be decided for you by the government.

All recent trends show that present plans are for complete regimentation in time of war. Universal conscription is a foregone conclusion, and as in foreign countries that will mean machines as well as men.

How will such regimentation be effected? Give a

little thought to that social security card you have tucked away in a drawer somewhere. That is the symbol of your regimentation.

Occasionally you see a little story in the papers that the Social Security Board announces that the worker over 40 gets higher wages than the younger worker, that the age groups in industry are shifting. How is this known, and why is the bother taken to find out?

About half the population of America have social security cards. And for every one of those cards there is a much more complicated card in Washington, telling age, wage, single or married, profession, a whole list of details about each person.

Those cards are all punched with holes indicating each fact that might be needed by a government checking over its population. If, for instance, the government should want to know (as it will in war time) how many skilled mechanics there are between the ages of 20 and 30, with no dependents and in good health, the tabulating machine is set to catch say holes number 4, 7, 26, and 54. Then the social security cards are poured into the hopper, million after million, and the cards of all people in the desired class are tabulated and held aside. Telegrams could mobilize them in one day, an army of trained mechanics who could be moved as desired without depriving anyone of a livelihood or necessitating additional government relief.

In the same way another run through the hopper would give number, name and address of another needed group all of whom have dependents. Mobiliza-

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tion of that group will mean coincidental mobilization of the dependents for relief purposes or for work of their own to keep them off relief.

Perhaps the simplest way to show what is likely to happen to you in war-time is to take a typical family and place it under the regimentation microscope.

In this family there are middle-aged parents in moderate circumstances, an aged grandmother, a boy of 18 and a girl of 21 who is married to a man of 30 and has a year old baby.

The 18 year old son is of course caught up in the first military draft and marches away to the front. The son-in-law may have to "go to war" in the old sense also in time, but he is an expert mechanic and so for the time being anyway he is flown out to an airplane factory on the west coast. Father is an able executive running his own small factory which is not equipped for any sort of war work. So he is told to close down his own plant and is assigned a position in the government service of supply. Mother was a trained nurse many years ago and is still strong and healthy. She goes back to hospital work in a suburban town where hospital facilities are rushed to completion to handle wounded from her home city whose duties called for them to stay there and face the bombs. Daughter has no special training but she's young and strong. She can take a farm job left by some youth who went to war.

Well, that leaves Grandmother and the baby. They're both waste material in war. They can be

evacuated to a suburban camp where grandma can help care for the baby and other babies whose families have also been drawn into the network of war.

And there's your family, all fitted into the pattern of war, but a family for which all chance of complete reunion is probably destroyed.

Perhaps another member should be added to your typical family to make the picture complete. That would be a boy past kindergarten age but not yet old enough either to fight or work in a factory.

In the Spring of 1939 Rumania authorized the mobilization in time of war of all children, both boys and girls, from seven years old up. Duties, it was decreed, will be assigned them "according to their ability and the nation's need."

Rumania was slow coming to this point of national preparedness, though not so slow as America. Italy and Germany have been training their children for years.

In Germany the training has been of a rather general nature, physical exercise and drill in Nazi dogma. But the "Hitler youth" as it is known is organized and ready for any war work it may be assigned.

Italy has been more practical. There boys, beginning on their sixth birthday, are given military uniforms and are trained in the science and practice of war.

After two years preliminary training each boy is given a small but efficient rifle and taught how to use

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it. On the wooden stock of each gun is stamped the name of a soldier who died in the World War. The boys know that when they place that gun on their shoulder on the drill ground they are pledged to follow in the martial steps of their adopted gun-father, if necessary to the same end.

It's not likely that American boys of grammar school age will ever be called on for actual battle service. But it is almost a certainty that they will be organized for behind the lines duties which will relieve more mature people for front line service.

Mobilization of the nation's extreme youth can be accomplished rather easily by conscripting them into one of the already organized boys' associations and then militarizing that body.

It may seem hard to believe that any such organization, founded for the forging of better citizenship, should ever be turned to the purposes of war.

But remember the fervent assertions when the CCC was first organized that it would never be militarized to the slightest extent. Yet the idea of giving the 300,000 youths on CCC relief military training expanded rapidly with the darkening shadow of war.

Prime Minister Chamberlain not so long ago promised England that peacetime conscription would never be resorted to. But in the Spring of 1939 such conscription was proposed by Chamberlain and approved by the government. To justify his seemingly broken pledge Chamberlain made a speech in commons ex-

plaining that while there was no actual war, still and all no one could really say there was a state of peace either.

In the same way the CCC can be militarized in advance of war and similar organizations will probably be formed (certainly as soon as war is an actuality) to include all boys under CCC age, and probably girls too, for behind-the-lines service.

Civil Rights

War in America will mean immediately clamping down the lid on all the liberties under which you have spent your life.

Here are a few things which will go by the board:

Free speech, free press, free assembly, the profit system, labor organizations, the party system of government, perhaps Congress and the Constitution itself.

Solution of the emergencies of war, at least such a war as this will be, cannot wait for the necessarily slow methods of democracy. Government must be by decree and power must be centralized to ensure speed of action.

Not all the ordinary liberties of peacetime will be abolished permanently, but they will have to be put in a state of suspended animation. And your guess is as good as anyone else's as to whether they could ever come back to full life.

A vocal and vociferous minority is a healthy part of peace time democracy. It ensures all important ques-

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tions being fought out in detail, all sides being examined.

There isn't time for that in war, and under such conditions the voice of dissension becomes the voice of treason.

For that reason you will have withheld from you during war the basic democratic rights of free speech, free assembly, and a free press.

But these are rights not easily foresworn and so when they are withdrawn a certain number of you will hold secret meetings, if only because misery loves company. Because a shackled press will no longer tell you the true state of affairs you will speculate privately. Because you are not allowed to talk out loud you will whisper.

But such secret meetings, such speculation, such whispers are dangerous to the one-track well-being of a warring nation. And so the inevitable consequence would be establishment of a secret police force.

That may at first glance seem incredible, seem one of those it-can't-happen-here things, one of those they-can't-do-that-to-me things. But it's not unlikely. It's not even doubtful.

Russia has its OGPU, Germany its Gestapo, Italy its OVRA, and the people of those countries walk in dread of the listening ear. I have lived under dictatorship in Italy and know that the shadow of fear falls into the farthest corner of the humblest homes.

I have seen Italians I was entertaining in my own

home rise suddenly in the midst of a whispered conversation and peer out the window, snatch open a door to see if a servant was at the keyhole.

Even foreign correspondents in Italy never mention the name of Mussolini in public, lest attention of the secret police be thus drawn to them and they be trailed for days, their mail opened, their offices and homes searched. They always call him Mr. Smith.

It is estimated that the Ovra is so large, recruited from so many classes of society, that not even so open and harmless a gathering as a tea or cocktail party can be held in a private home without Ovra agents numbering one to six among the guests.

France has already found that even preparation for war calls for at least modified dictatorship. Premier Daladier was accorded such powers with scarcely any opposition.

That has been happening here gradually for six years, more and more power being centralized in the Executive. War will pave the way for complete decree powers for the President.

Such power may well be used, in the national interest, to send Congress home, to outlaw the minority party, to suspend the Constitution for the duration of hostilities.

To enforce such power, establishment of a secret police force will be imperative. There will, as in foreign agencies of this type, be a paid personnel and a "volunteer" corps working on a commission basis.

We already have the basis for such an organization

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of informers in our law covering smuggling. The person who gives the Customs men information about smuggling is given half the fines and his identity is kept secret.

In war time such informers will be paid for information concerning what you say, whom you see, with whom you correspond. Because of that network of piece-work internal spies many subversive persons will no doubt be sent to prison or internment. But also, if the pay for informers is high enough, you might be imprisoned merely because your maid didn't like you and made up a fancy story.

The profit system, chief incentive in pushing back the American frontier and creating American industry, will have to go when war comes. Already bills are being ground out to conscript wealth, to take the profit out of war, to nationalize basic industries.

In war the whole country will be turned into one vast workshop for the sole purpose of turning out the soldier and civilian necessities at lowest possible cost. There may be profit, even profiteering, at first, but it will be quickly stamped out and if you try to "stand on your rights" as a business man you will be harshly dealt with.

If, however, you are a member of organized labor instead of a business man, you will be affected more slowly. Organized labor unions have about 15 million members in America, comprising a pressure group which has become very vocal. There will be early attempts to propitiate labor, to try to work around labor,

but in the end labor will be swallowed up like all the rest.

See what has already happened in France, entirely because of threatened war. Under the leadership of Leon Jouhaux, the John L. Lewis of France, labor was strong. A leftist labor government passed many social laws improving conditions of labor. Wages went up and the 40 hour week became mandatory in all industry.

Then came the war crises, the armaments race, the increasing threat of aggression. Premier Daladier asked and was given unprecedented decree powers and among his decrees was one abolishing the 40 hour week.

French labor made one last attempt to assert its strength late in 1938. A general strike was called at the height of an international crisis. The government responded by calling the workers to the colors and then ordering them to carry on at their usual jobs, but as soldiers. If they had refused they would have been subject to court martial, to long imprisonment.

That was the end of organized labor, except in name, in France so long as there is threat of war. Organized labor will meet the same fate here in case of war, and so will all such legislation as the wage-hours law and the National Labor Relations Act.

The right to strike is abolished in all dictatorships. It is suspended in countries at war or on the verge of war.

In war civil liberties must necessarily cease and

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citizens become mere cogs in a giant machine. War in America will mean complete regimentation of the people, the obliteration of individuality.

Each man, woman and child will have his registration papers and you will have to carry them at all times. You will have to show those papers to uniformed or plain clothes police on request, whether you like it or not.

I was arrested in Rome on one occasion for pausing long enough to light a cigaret in the Piazza Venezia, outside Mussolini's office. A hatless young man wearing stylish two-toned sports shoes merely stepped from the pedestrian stream and led me away for investigation. My papers were in order and so I was released, with warning to be careful where I loitered.

That is a small thing, a humorous incident, and yet when it happens to you, happens over and over again, it begins to get under your skin.

You take your liberty quite for granted, scarcely realizing it because you've always had it. But picture yourself under a regime in which all such liberty is suspended.

After you have been reprimanded a few times for loitering, for lighting a cigaret during a blackout, for violating any one of a hundred petty restrictions, you will begin to walk with an eye cast over your shoulder, you will talk even about the weather in a whisper, you will suspect even your best friends of being spies or agents of the secret police.

The problem of food will quickly be a serious one. In the World War America had its meatless days, its fruitless days, its rationing of sugar and other luxuries which in ordinary times are considered necessities.

But that was all voluntary. The day of voluntary citizen-participation in war has gone. Plans under consideration indicate that in war national life will be quickly placed on a ration basis for virtually all necessities. The importation and manufacture of luxuries will cease. There will be no luxuries.

Speedily following declaration of war you can expect the issuance of food cards, clothing cards, medical service cards, travel cards, theater cards, gasoline cards.

There will of course be occasional ways to escape some of this regimentation and people who will help you escape it, for a price. Throughout history every restriction against human liberty has been evaded to some extent. And so in time of war and its necessary restrictions upon all freedom of action there will spring up a class of bootleggers of freedom.

Through these bootleggers, if you secreted some wealth from the pre-war days, you will be able to purchase forged cards permitting you to get extra supplies of meat or sugar or flour or coffee or liquor.

You may be able to buy a pass to let you make extra journeys to visit your children in the camps to which they are assigned outside the congested districts in which you must stay to carry on your war work.

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But whatever you buy of liberty from these boot-leggers you will be unable to enjoy with clear conscience. Because you will know that in stealing some little freedom for yourself you are depriving the nation of food or clothing or transportation needed elsewhere to carry on the war and perhaps some day bring back to all the world the freedom only possible under secure and lasting peace.

And also there will be fear to spoil all such adventures. For if you are caught enjoying bootlegged liberties you will be looked at through official eyes which can see you only as a traitor. The best you can expect will be removal to a concentration camp where your condition of life will be far more restricted than before, the food worse, the clothing shoddier, the work harder, the liberty no greater than any prisoner's liberty to go on suffering an existence from which all delight in life is gone.

Propaganda

From the moment war comes you will be subjected to a steady stream of perverted facts, under the name of "information" or "education."

The propaganda will have two main purposes. First to keep you in a state of fury against the enemy so you will not tend to relinquish your part of the battle against him.

And second to cast a rainbow about your own sorry lot to make you bear your burdens without revolt.

That first kind, past experience has shown, is rather easy of accomplishment. All it takes is a few horror stories in the newspapers. You know the stories. Rape of young girls by enemy soldiers. The bayoneting of an expectant mother. Mutilation of the prisoners of war.

In the rarified atmosphere of war the human mind loses its customary power to distinguish between truth and propaganda. Some of the horror stories will be demonstrably true, for war breeds horror and man's inhumanity to man intensifies with the lifting of ordinary peace time restrictions. This grain of truth will give to even the most fantastic flights of macabre fancy a semblance of verity which will make them accepted as fact.

Thus we accepted during the World War the tale of the Germans carting off corpses to the soap factory. This story was doubly efficacious. It showed that the Germans had run completely out of the necessities of life and therefore ought soon to be weakened to the pushover stage.

And it pictured the Germans as a callous, heartless crew who would presumably cut their grandmother's throat to warm their hands in her blood.

The fact that that story was later acknowledged to have been a fake, a deliberate propaganda phoney, made no difference at the time.

While that story was circulating among the Allies I remember walking along a sunny, tree lined road in France with a group of walking wounded making

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their way from the front to hospitals behind the lines.

I walked beside a Senegalese who proved a rather charming fellow and in due course I mentioned the latest tale of Boche atrocity.

He grinned and replied that atrocity was a game that more than one could play. Engagingly he told me that he himself had a collector's hobby which he found occupied his mind very nicely during the boredom of a stretch in the trenches.

He pulled open the baggy pocket of his blue overcoat and held it for me to look inside. It was full of ears.

Now if that Senegalese had been captured by the Germans instead of merely wounded, the collection in his pocket would have started a sensational story in which all the Allies would have been accused of mutilating the fallen heroes of Germany. And there would have been the ears taken from the Senegalese to "prove" the story.

The first effect of such propaganda—and all countries use it in time of war—is to dye all members of the enemy nations in the same lurid hues. They are left no shred of decency and their degeneracy is bequeathed to their children to the nth generation.

When this country is again steeped in that spirit of unreasoning hate—and no warring country has ever been spared from it—you will be lucky if your name is not Schwartz or Abbatiello, Kleinschmidt or Durazzo.

Because the propagandists know it is difficult to stir

up hatred against people 3,000 miles away. And so they incite a spy scare right at home and link all descendants of the enemy races with the attributes they are bestowing on inhabitants of the mother country.

Suppose your name came down to you through generations of good American citizens from some great-great-forefather of the old world, as most American names do. If that name originated in an enemy country you will not escape the propaganda-fed fury of the mob though your father and your father's father were recognized patriots.

Your windows will be stoned at night. Your children will be taunted in school. Your wife will be insulted by her "friends." And you will very likely end up interned in a concentration camp after some informer has reported mysterious doings under cover of darkness.

This, and more, happened in the World War among normally sensible and reasoning people. It will happen again when the war spirit is breathed upon by the hot breath of propaganda.

Now for the second form of propaganda, aimed at making you glory in your lot, though the glory be invisible to the naked eye.

First for the soldiers, whose spirits must be constantly inflated to prevent faltering, desertion or revolution. Such propaganda can appeal to man's highest hopes, his finest impulses. Remember "the war to end all war" and the war "to make the world safe for de-

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mocracy." And it can appeal to his most earthy instincts, can in fact sink to the level of seduction.

Professional whooper-uppers in the American World War training camps imported a song from England which had been effective there and proved equally effective here. I still remember a couplet from the chorus, the aphrodisiac punch line that made every bat-eared private in the ranks wriggle with anticipation. It held out this promise of what the boys could look forward to "when the fighting is over and the war is done."

"Oh, all the lassies will be loving all the laddies,
"The laddies who fought and won."

In other words the boys were told that if they'd just go through with this somewhat troublesome job of putting those Germans in their place they could come home to a sort of Mohammedan heaven on earth, no holds barred and everything free. The boys were told that the lamp in the window to guide their return would be a red light.

Once soldiers get to the front, the propaganda system is simplified. They are young and impressionable. All you have to do is keep them filled with the idea that they're doing all this for the folks back home, for the women they hope to marry, for the children they hope to sire.

Hate has to be kept at fever pitch among the civilian population to keep them content with their lot, willing to face under-nourishment, economic loss,

destruction of all freedom of action. But hate is unnecessary in the trenches. Few men are killed in anger in the war zones. Killing is a job, generally accomplished from a distance, and there's no use getting riled up about it.

Most of the soldiers returning from the World War were at first amused and then disgusted at the patriotic fervor of the stay-at-homes. They had learned in bitter hardship that one soldier is much like another, be he American, German, French, Italian or whatnot. But the folks at home hadn't been allowed to learn that lesson. They'd been stuffed so full of hate that they really believed the enemy boys were all fiends incarnate and the boys on our side all little angels.

Propaganda falls into three main divisions: music, oratory and the printed word.

Music can do far more than soothe the savage breast. It can also lull logic into hypnotic somnolence. It can rouse unfounded enthusiasm for any cause. It can rub all reasonableness from the human mind as completely as a damp rag can wipe a deathless sonnet from a blackboard in one smooth swipe.

Every war song ever written is packed with premises and promises as false as a rubber check, which in effect is what they are. But as long as humans are human they will keep on accepting those checks in full payment for their birthright of peace, prosperity and happiness.

Oratory, of course, gets an awful workout as soon as the bugles blow. In the next war there won't be an

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army of two-minute men peddling liberty bonds because money, like men, will be drafted instead of recruited among volunteers. But they'll be there just the same, whooping up the war spirit, reminding you you have it pretty soft compared to the boys in the trenches.

They'll hand on the horror stories. They'll bleat about the heroism of our own sons, the purity of their motives, the solid foundation they are building with their bayonets for the new peace which is going to be so much better than any past peace.

They'll even hunt around till they find actual advantages which have resulted from the war. Why, look! There isn't any unemployment. Thank God we've wiped that cancer from our body politic.

And you'll go for it, make no mistake about that. You'll stand and cheer. You'll take another hitch in your belt and look with misty eyes at every mirage held up in front of you.

If men were really mean, if their hearts were hard, if their hopes were not so great, they wouldn't fall for all the oil spread on the turbulent torrents of life by the phrase makers. But men are really so damned nice; that's what makes them so dumb.

The third great propaganda division, the written word, is the greatest of all, the one that screams from billboards, that steals into the home and whispers to every member of the family.

America is a fertile field for this type of propaganda too. We have been raised on a free press, at

least as free as the wisdom and the prejudices of the people who own and operate it permit. We are accustomed to believe what we see printed. "It must be true, I saw it in the paper." That's a national creed.

And so when war takes away the freedom of the press and government propaganda offices begin pouring their "must" copy into the newspaper offices, you will still say "it must be true." And your life will be guided accordingly, even unto death.

As a matter of fact truth is relatively unimportant in propaganda. The end justifies the means in that business. I remember this particular instance of American propaganda (this time aimed at the enemy) from the World War:

American soldiers were massed in the Argonne in that last offensive of the Autumn of 1918. Austria was dickering for a separate peace and there were hopes that Germany might crumble. That desired collapse could of course be hastened by mass desertions from the German trenches, where hunger was known to be acute.

And so American planes bombarded the German trenches with propaganda handbills as seductive, though appealing to a different sort of appetite, as that "All the lassies" song fed to American rookies.

Some of the papers, borne by the wind, drifted down not on the German trenches but among American doughboys on the other side of no man's land. I don't remember the exact wording but in effect it was like this:

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DINNER IS SERVED

Come over to the American trenches and you will eat just what the American soldiers eat. The American army treats its prisoners of war exactly like its own soldiers. Here's what the American soldiers are having for dinner today. The same food is waiting for you.

Soup
Roast Beef
Peas Potatoes Carrots
Bread, butter and maple syrup
Coffee ICE CREAM Cake
Cigaretts

These notices were in German, of course, but the items on the menu were plain enough for all to read. I remember watching one dour American scan that notice. He was caked with mud, wet, lousy, with circles of fatigue below his eyes. And he was hacking with a rusty knife at a can of corned beef he had stolen, his first food in 24 hours.

"Good Christ," he said when his eye fell on that nonsense about ice cream. "Lets us guys desert and go over to the Americans."

Yet that lying propaganda addressed to the enemy was no more false than most of the propaganda which was used, and will be used again, to deaden the minds of Americans and to drive them like sheep to physical or spiritual slaughter when war comes.

In war time there is only one national objective, to win the war. To do that all individuality has to be

suppressed. All humanity must be pressed into the same mold. All thought and action must be grooved to one purpose.

Propaganda, from press, pulpit and pipe, is the means of driving a nation to such an end, that it may have time to heal its wounds before starting all over again.

Censorship

Censorship will be effected in many fields—speech, press, radio, books, magazines, music, theatre and the movies—but a good idea of how it will work in all can be had from seeing what will happen to the papers, of which I happen to have personal knowledge.

Censorship of the press is simpler now because the papers are all linked up on press association wires. It would be too complex to try to place a government censor in each paper. In the old days the only feasible form of censorship would have been suppression of newspapers, forbidding their publication.

But it's simple now, and the trail has been blazed by Russia, Italy, Germany and Japan. Immediately after declaration of war the government will take over the Associated Press, the United Press and International News Service and combine them into one government "news service." That service will be exactly like the Tass agency of Russia, Stefani of Italy, the DNB of Germany and Domei of Japan. They were all private enterprises at one time too.

Headquarters of this combined government news

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service will be in Washington and all "news," foreign and domestic, will be edited and "slanted" before being put on the wires. Editorials, news features, even cartoon strips, will all be coated with propaganda to mold your mind and only what comes over those wires can be printed.

News originating in various parts of the country will be written as now by the reporters of individual papers, but it will have to be put on the network wires for approval or revision before even the originating paper can print it. The network will carry not only news, doctored to meet the needs of the moment, but also editorials and confidential messages giving the viewpoint to be taken in editorials written in each newspaper.

That's the way it is right now in the dictatorship countries. That's why you read of waves of editorial violence suddenly breaking throughout the press of Germany, say, against America or Poland or England. Word was merely sent out on the DNB that the government considered the latest speech of President Roosevelt merited criticism for the following stated reasons.

That's what will happen to our press in one day, and it can be accomplished overnight by seizure (it will be called temporary government operation) of the news services. From that day on the papers will print only news building up your enthusiasm for the national war program, anger against the enemy, and a spirit of sacrifice in the name of patriotism.

The make-up, the personnel, of the fourth estate will not have to be changed in the slightest, that's what makes it so simple. The same reporters and editors will be doing the same jobs, but they'll see everything they do twisted from straight objective news to slanted propaganda.

That's a bitter thing to happen to a newspaper man. I've known dozens of them who learned the business in a free press and then had to keep on working under a controlled press; in Italy, for instance. The way they salve their consciences, strangely enough, is by going right ahead gathering the news, ferreting out the truth, even though they know they won't be allowed to use it.

Thus all foreign correspondents in dictatorships or countries at war soon learn that while the newspapers of those countries, because of censorship and propaganda, are of almost no value as news sources, the newspaper men themselves are very well informed on what is really happening.

That, of course, is the reason Premier Mussolini recently decreed that no Italian could work for any foreign newspaper or news service in any capacity. Prior to that every foreign correspondent had Italian newspaper men on his payroll. He still has them secretly.

When I was working in Rome I had one tipster on the staff of the Stefani Agency, who saw all the messages and all the editorial kills. I used to meet him in a café out of his hours and learn what the news was

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that would not appear in the Italian papers. That was the real news.

Such treatment of the press is disastrous in the long run to journalism, destroying both journalism and journalists. But it does even more to you, the reader. The people who work on the papers and are helpless conspirators in the twisting of the news at least have their eyes open. But the average reader doesn't know anything about that. He's always believed his favorite newspaper, looked to it for advice on big matters, seen the world through its recital of happenings.

You won't realize that everything has changed except the paper's name. And so your mind will gradually be warped by half truths, deliberate lies, all the trickery and falsehood that are the raw material of propaganda.

The whole theory of democracy is necessarily based on the supposition that the people know what is going on, what the facts are. Only so can they possibly reach wise decisions as to the proper course to be taken.

When the truth is hidden from them, and propaganda substituted for truth, then their decisions are of no value and they have ceased to govern themselves.

Education

The birth of war will be the death of education as we have known it, as a training for general culture and the pursuits of peace.

On the first day of school, children will be called into their assembly rooms and the principal will explain what has happened. He will no doubt mention the "home fires" and speak of "carrying on" while the younger teachers and the older students are away at the front. But that will be because he doesn't yet know how deeply the hand of war will reach into the country's classrooms.

It will be progressive, of course; little felt at first. The early drafts will deplete the faculties, but the ranks will be quickly filled from the normal schools. Retired teachers will return to the schoolrooms.

Soon not only the fit-for-fighting teachers will be gone but also there will be jobs for all the able-bodied of any age who can perform behind-the-lines duties. Much of the teaching in common schools will pass to the senior class, perhaps directed by wounded teachers returning from the battlefields.

School hours will be shortened to permit war work by the children which will release more men for the fighting. "Useless" subjects, which will mean everything that does not train for war, will gradually be dropped from the curricula.

Mathematics will be only for those who are intended for the artillery, languages only for apprentice interpreters or spies. The grade and high schools of the country in a short time will become no more than trade schools for war and propaganda centers for the spirit of war.

It has been found that there is no better way to

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spread the gospel of sacrifice for the national need than by bending the pliant minds of children to that pattern and then letting them pass on their philosophy to the parents.

All parents covet the admiration and respect of their children and will in general act in ways they think will increase that feeling. There will be no slackers in full support of war plans if the children look on slacking as disgraceful.

Italy has used that system to the full. Fascism long won no more than lip service from a great slice of the adult population. But instead of trying to ram it into their hearts as well as down their throats, Premier Mussolini worked on them through their children.

In Italian schools all the teachers must be members of the Black Shirt militia and they must wear their uniforms in the classroom. Thus from earliest school days Italian children get the idea that education and war go hand in hand and they preach at home the spartan philosophy of life taught them by their soldier-teachers. Parents who would not accept such a creed from Mussolini swallow it whole when they find that is the way to their children's love and admiration and respect.

While such restricted education and unrestricted propaganda is going on in the ordinary schools the places of higher learning will also be undergoing metamorphosis.

Academic courses will of necessity go by the board as of no practical value and colleges will become no

more than finishing schools for officers. What time the students can spare from the drill ground they must put in on practical subjects which will be of use to them in the immediate future.

Colleges, in effect, will be turned into rush-order West Points for the mass production of officers to lead the armies constantly expanded by conscription and deflated by death.

Education on the whole will of necessity become so specialized that probably within a year most of the old teaching staffs will be replaced by military instructors and most of the old subjects of study will be discarded.

This change in education will be evident not only in the schools and colleges themselves, but also throughout the country in such media of education as newspapers, magazines, books, theatres, libraries.

Under strict government censorship and regulation the newspapers will become powerful engines to break down individual thinking and mold the mass mind to one pattern. This has already been done in the totalitarian countries and war will bring it surely to America.

Magazines will be largely abolished as frivolous and unnecessary and new propaganda organs will take their place.

All liberal books, all books giving "the other side of the question," will be banned and very likely burned as they have been in other countries. A book like this would be among the first to go.

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Such a purge of literature took place in Austria the day after Hitler's troops marched in. Every book and periodical questioning the sanctity of Nazism was confiscated and destroyed as a first duty of the troops which marched into Czecho-slovakia.

Stage and screen would feel the same shock of war. Pure entertainment would have to give way at once to "educational" plays and films glorifying America's latest crusade, vilifying the enemy, and dangling the hope of peace and prosperity just beyond the reach of the population.

This won't all be done smoothly and without friction, of course. There will be plenty of disagreement as to methods so that one week comedy may be allowed in the belief it improves morale to laugh, and banned the next week in deference to those who believe the best fighters are grim ones.

But for all the bungling, all the groping for perfection in building the national war machine, soon enough all the liberal education and cultural enjoyment of the past will be gone. And in its place will be a specialized system under which robot minds will be put through their paces with military precision.

Into this spiritual desert created by the war rulers will come dashing the moral crusaders with the delighted whoops of Indians on a scalp party.

Pleasure of any type will soon be made to seem synonymous at least with immorality, probably with treason. When every penny, every ounce of effort, every minute of the nation's time is needed for the

furtherance of war even the simplest pleasures become sins.

Even if you have managed to save enough money to permit it, you won't be allowed to take a ride in the country to relax your body and refresh your mind. Gasoline will be too precious.

You won't be able to enjoy yourself for a quiet evening listening to the radio. Because the air waves like the stage and screen and printed page will be preempted by the propaganda officers for "national education."

Many of you may think that such a situation would soon "drive you to drink." Don't be so sure. There might be nothing to drink. Prohibition came to America once as result of war. It can come again.

Every year since prohibition was repealed Sen. Morris Sheppard of Texas has introduced a resolution in Congress for another prohibition amendment to the Constitution. Every year it has been tabled and no action taken.

But the war mentality is a reform mentality, a puritan mentality, a mentality that believes in regulating pleasure by law. It is quite possible, even probable, that prohibition would come back as a step-sister of war.

And this time there wouldn't be any bootleggers, any speakeasies. Remember that although the 18th Amendment was passed as direct result of the World War it did not go into effect until long after the Armistice. By that time the pendulum was already

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swinging back, toward individual freedom and away from government restriction.

There was such public feeling against prohibition from the very start that no general, concerted, and continuous effort was ever made to plug up the leaks. But that was peacetime and bootlegging was merely violation of an unpopular law.

In time of war, bootlegging, if prohibition was re-enacted, would be tantamount to treason. It would be looked on, officially and by a large part of the propagandized population, as giving comfort and assistance to the enemy.

Chapter VI

The Bill—Win or Lose

By Malcolm Logan

Chapter VI

The Bill—Win or Lose

SOME DAY when the next war has been going on for weary, murderous months or years, the government news service wires will carry a flash into every newspaper office and radio station in the United States. You may be listening to a program of patriotic music from your local broadcasting station when the voice of an announcer, shaking with emotion, will cut in.

“The war is over,” he will say. “An official government dispatch from Washington announces that hostilities ceased at 9 A. M. today.”

“The war is over!” In every city and village across the whole land men and women will echo the words. At first they will speak them in a daze, unable to believe that the nightmare of destruction, fear and hatred has passed. Then they will rush into the streets, stopping strangers and shouting the message in hysterical joy.

A wild carnival will sweep the nation. Sextons will run to the churches and toll the bells. Whistles and sirens on every factory and steamship and the horns of automobiles in city streets will set up a happy din.

Everywhere work will stop. Offices, stores, schools

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and factories will close. Everyone who owns an American flag will hang it from his window. Broadway in New York, Michigan Boulevard in Chicago, Market Street in San Francisco, Canal Street in New Orleans will be jammed from curb to curb with shouting, singing, laughing, crying crowds.

They will engulf the street cars, pull down the trolleys and climb on the roofs. Trucks and automobiles will be commandeered for thousands of impromptu parades. Hawkers will appear from nowhere with noisemakers and flags. Airplanes will roar overhead. From city skyscrapers ticker tape and snowstorms of torn paper will flutter to the ground.

In Washington thousands will gather before the White House, and the President will speak a few solemn words to them. And as the day goes on, the first tumultuous enthusiasm will be succeeded by a graver mood as we remember the thousands of men who have died to lift the shadow of war from the world.

If you are alive to take part in it, make the most of that day of rejoicing. You will learn very soon that all the sacrifices you made during the war were only a first payment on the war bill.

You and your children and their children will pay the succeeding installments, in lower standards of living, in poorer health, in higher taxes, in unemployment, for many years to come. During the war you will be living under a high emotional tension which will help you endure privation and loss of friends and

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relatives. But with the coming of peace, a deadening war-weariness will possess you. You will look back at the war as an incredible, criminal folly. You will wonder how you ever believed it was a holy crusade. You will be cynical, disillusioned and disgusted with yourself. In that mood of despair, every hardship you undergo as you pay the war bill will be thousand times more galling than the suffering of wartime.

Demobilization of Industry

Let's consider first what will happen to your job or the profits from your business when the war is over. We now have more factories, mills and farms than we need to produce what we can consume in the United States and sell abroad. But there will not be nearly enough when war starts.

The best business men in the country will be summoned to Washington to increase production in every one of the thousand lines of industry that produce the things we need to fight a war. Textile factories, munitions plants, steel mills, shipyards, shoe factories and airplane plants will be enlarged and new ones will go up in the race to speed up production to the point where we will be producing war supplies more rapidly than we and the enemy can destroy them.

Our allies who cannot raise all the food they need will call upon us for wheat, beef, lard, corn, and hogs. Much of that precious food will be destroyed in transit when our merchant ships are sunk. The food surplus that is now worrying Washington will disappear very

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soon, and farmers who are now being asked to produce less will be urged to increase their acreage.

To gain some idea of the way our industrial plants will grow during the war, recall what happened to the shipbuilding industry during the World War. We went into it with sixty-one shipyards in which there were 234 ways on which ships could be built. Into one shipyard alone, at Hog Island, the government poured sixty-six million dollars. When the Armistice was signed we had 223 yards with 1,099 ways, three times the number of ways in the rest of the world.

The expansion of our industries will be far greater in the next war than it was in the last. Fleets of enemy bombers will strike swiftly and with terrible destruction at the factories of our allies and at the power plants which keep them running. It will be up to us to turn out not only the vast quantities of war material our own troops need but also most of the supplies of the other nations fighting with us.

That will be fine for you during the war. You won't have any employment problems, if you are an employee, and if you are an employer you won't be able to turn out your product too rapidly.

But what will happen when the war ends? We will find ourselves with ten times the number of mills, factories and farms that we need. Eventually the superfluous factories must shut down. You will be lucky if you don't lose your job in that deflation of our war babies. If you do lose it, you will pound the pavements

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for a long time looking for another. If you are a soldier, you will find that you won't be a hero very long; you will be a nuisance to employers who can't hire you and an enemy to every man who is still working.

The government will do its best to help you in this transition period. In 1918, the United States immediately began cancelling all its contracts—several billion dollars worth—when the war ended. Business men and labor leaders immediately protested that this would demoralize industry, and so the government had to go on buying things for which it had no use.

The war orders were tapered off as quickly as the demand for peacetime goods permitted. Millions of yards of khaki were woven, sold to the Army and stored away in warehouses. Munitions piled up in arsenals. We went on launching ships and then anchoring them in harbors, to rust or rot away.

Suppose you are employed in the textile industry during the next war. The same looms that weave cloth for uniforms can weave wool for the suits the soldiers will need when they come back. The country at peace will not need as much cloth as it did during the war, when millions of men had to be outfitted from head to foot, but at least you will be in an industry which will get some peace orders.

But suppose you are working in a munitions factory or in one of the plants making pursuit planes or bombers for the Army. The bottom will fall out of the market for what you are producing. We will still

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need transport planes, but nothing like the quantity called for by war activities. We won't need any munitions that the government's own arsenals cannot easily manufacture. The government won't be able to go on buying munitions, and planes forever, just to keep you in a job. Sooner or later you will join the increasing army of the unemployed.

Your chances of finding a job after the war will be diminished because the war will result in the replacement of thousands of workmen by machines. The government will be crying for more and more production. At the same time the supply of labor will dwindle as millions of men are drafted into the army. Hundreds of thousands of women will go into the factories and the unemployed will be put to work, but still there will not be enough workers.

So the nation's inventive genius will be turned loose on the problem of improving machinery to do the work of men. In ordinary times, the labor unions act as a brake on the progress of mechanization by resisting the introduction of labor-saving machinery. But to do so in war would be an act of treason. Labor will stand aside and a hundred recent discoveries in science will be put to practical use to eliminate jobs.

Our industrial system, of course, is based on labor-saving devices, and they have created new products, lowered prices and created employment. The printing unions, for example, fought the introduction of linotype machines, but linotype machines created our big daily papers, multiplied the number of magazines and

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brought good books within everyone's reach. The first automobiles were painstakingly made by hand and were luxuries for rich men. The use of machinery and mass production by means of the assembly line lowered the price so drastically that almost anyone could own a car.

But there is a point in every industry at which further saving in labor costs makes very little difference in the price at which you can sell or in the amount of sales.

Suppose some new machine is invented which can replace so many workmen in the automobile industry that the price of a car can be lowered by \$50. In these days of installment buying, that reduction could not possibly increase sales to the point where it could put back to work all the men laid off because of the new machine.

So the labor-saving inventions of the war in the industries which are already operating on a mass-production basis will help win the war, but leave you with a poorer chance of finding work when peace comes.

To cap the climax, we must expect another worldwide depression when the next war is over. Our five best customers now are Great Britain, Canada, Japan, France and Germany. A general war in Europe will leave three of those countries devastated and bankrupt. And an insolvent nation can't do much buying.

As the world tries to repair the incalculable destruction of the war and revive its industry, there will

be an increase in the nationalistic spirit. In Great Britain everyone will be urged to buy only English goods. Frenchmen will be told that it is unpatriotic to buy anything made abroad. Every nation will try to build a tariff wall to keep out competing goods from other countries. The worse the depression becomes, the higher tariffs will rise, and the higher they rise the more foreign trade will dwindle and the worse the depression will become.

All that will react upon you. Your job will be less secure, if you have one, and your pay will be less because your employer will be affected by the universal stagnation of trade.

The economists have been searching a long time for some cure for the business cycle, with its alternate peaks of overproduction and its valleys of under-production and unemployment. The next war may do something about that problem. It may flatten out the peaks and valleys of the business curve into the straight line of a permanent depression.

War Debts

The whole country will be poorer after the war. At the same time it will owe more money, for war is such an expensive business that we have to buy it on the installment plan.

On June 30, 1916, the national debt was \$1,225,-000,000 or \$11.96 for each person living in the United States. Three years later the war had sent it up to

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twenty-five and a half billions, or \$246.09 per capita. Now it is about forty billions, and it costs a billion dollars a year just to pay the interest on it.

The last time the Treasury calculated the cost of the World War to us, on June 30, 1934, it amounted to more than forty-one billion dollars. If we had that now, it would pay off every cent of our debt.

Another forty-billion-dollar war might be more than even we could afford. It might send our debt so high that United States bonds wouldn't be a good investment any more. We might even have trouble meeting the interest, even though taxes were raised.

When you get into trouble by purchasing a car that is too expensive on the installment plan, you know what happens. If you can't meet the payments, the finance company takes back the car and you lose everything you put into it.

But when a government lives beyond its means and you, by buying bonds, finance its installment purchase of a war, it isn't so easy for you to collect. The government can simply repudiate its debts when they come too great, or, as Germany did after the war, it can print money as fast as the presses can turn it out, and pay its debt in bills worth less than the paper they are printed on.

One of those two things may very well happen here after the next war.

About one-fourth of the money the war cost us was loaned to our allies and never repaid. Those un-

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paid debts may make us hesitate a long time before we embark on another crusade to save democracy, but once we are in the next war, we will have to throw good money after bad.

Every nation which may become involved in the next war is in a much poorer financial condition than it was in 1914. European countries are pouring money into airplanes, guns, tanks and munitions at a rate which threatens them with bankruptcy. Their taxes are about as heavy as their citizens can bear, and their credit is becoming weaker.

When the war begins, the rate of destruction of property will be enormously greater than it was two decades ago because air raids will spread ruin for hundreds of miles behind the war front.

The day we enter the war, economic missions from all our allies will converge upon Washington like flies swarming to a pot of honey. And despite the thirteen billion dollars of war debts which are still unpaid, we will have to contribute money and supplies, even though we know that we will not be repaid. If we permit any of our allies to collapse economically, we may lose the war.

The result of the World War was very nearly changed by the Russian revolution. From the beginning of the war, the Russian troops had been shamefully betrayed by corrupt and blundering officials who failed to keep arms and ammunition moving to the front. Unrest grew in the trenches and behind the lines. Food became scarce in the cities.

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Finally starving men and women rioted, breaking into stores for food. The government ordered the troops to fire upon them, but the soldiers refused. On March 15, 1917, the Czar abdicated. The provisional government formed by Kerensky tried to continue the war, but the soldiers were sick of it.

They deserted in thousands and returned to the cities, and finally, when Lenin and Trotzky returned from exile to provide the extremists with the leadership they needed, Kerensky was overthrown. By December the Russian troops had ceased fighting and peace negotiations with Germany were under way. On March 3, 1918, the treaty of Brest-Litovsk was signed and with this enemy removed, Germany was able to throw thousands of new troops into the Western front.

Eighteen days later the Germans began, with their increased forces, the first of a series of new blows in the West. These last, desperate efforts to capture Amiens, Paris and Calais before the American troops could arrive in full force very nearly succeeded, and if they had, the war would have continued far beyond 1918.

We cannot afford to let anything like that happen in the next war. We will have to support our allies to the best of our ability. So you may just as well resign yourself now to new foreign war loans, which will remain unpaid and which will be added to your bill for the war. You will even have to help the losers, if you want lasting peace.

Pensions and Hospitalization

On June 29, 1938, an old, old lady of eighty-nine died in a suburb of Buffalo, N. Y., and newspapers all over the country printed the story of her death.

It was Mrs. King's distinction that she was the last widow of a veteran of the War of 1812, fought a century and a quarter before her death.

When she was twenty years old she became the second wife of Darius King, who at the age of seventeen had enlisted in Steven's Company of the New York Militia and engaged in battles with the redcoats in northern New York. King died in 1886 and for the next fifty-two years the United States government, in recognition of the services her husband had given the country more than half a century before she married him, paid Mrs. King a monthly pension of \$50.

Mrs. King's death left only one pensioner of the War of 1812 on the government's long pension roll—Mrs. Esther Ann Hill Morgan of Independence, Oregon, whose father was also a member of the New York Militia.

It is almost three-quarters of a century since General Robert E. Lee surrendered at Appomattox Court House and the men in blue and gray went home—yet on June 30, 1938, you were still being taxed to pay almost forty millions in pensions to more than 5,000 Civil War soldiers and nurses and almost 67,000 widows and children of veterans.

The Spanish-American War brought many thou-

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sands of new recruits to the pension army. The World War brought an even greater increase and multiplied the cost of pensions two and a half times. In 1938 it cost you more than 400 million dollars to maintain 836,953 soldiers and dependents receiving government checks every month.

If all those pensioners could be mobilized, you could fight a fair sized war with them. There are more of them than the total of American troops engaged in the War of 1812.

There will still be hundreds of thousands of them left when we enter the next war, and that conflict should swell the figures to far over a million—perhaps a million and a half or two million.

There must be hospital care for those wounded in action, and if the World War is any criterion, a veteran will be given hospital treatment and disability compensation if he contracts myopia twenty years after the war is over. There will be pensions for those permanently disabled, and pensions for their widows when they die.

The government now pays \$22 to \$30 a month to widows of veterans who had a ten per cent disability or who died as a result of war disability. War widows were paid \$10,000 insurance for husbands and war mothers \$10,000 for sons killed in action.

We have always handsomely rewarded our heroes—even those who got no further than war camps in the United States—and we also gave the soldiers a bonus. Pressure from veterans' organizations and their

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lobbies during the depression prompted the government to advance the payment of these adjusted compensation certificates. So far the soldiers have cashed four million dollars of their bonus, and the remainder is drawing interest and is payable on demand.

Perhaps you and your representatives in Congress will be less sympathetic toward the demands of veterans after the next war. The country's shaky finances may save us the cost of another bonus, though thousands of patriots will demand one.

But you cannot escape the obligation to build huge new hospitals and employ doctors and nurses to care for those who are disabled because of war service. You and your great-grandchildren will have to pay pensions to those who are incapacitated. You will have to support their widows and orphans.

Imagine how that bill will increase if the United States is invaded by air or land. In that case, every child or woman maimed by bomb splinters would be as much a war casualty as the soldier machine-gunned in the trenches. And they, too, would have to be restored to health at the government's expense—which means at your expense—or supported for life if they are unable ever to work.

The enormous expense of pensions and hospital care will run into many hundreds of millions of dollars every year, and it will go on and on until the last gray-beard whose father fought in the next war totters into the grave.

Taxation

No one can tell you how much the next war will cost and how great our national debt will be when it is over. It can be stated with assurance that if the next conflict is comparable in seriousness to the World War, it will cost us more per day—perhaps twice as much—since war has become immensely more efficient in the last two decades.

It is hard to realize now, when our national debt is forty billion dollars, that in 1916 it was only a billion and a quarter. If each person in the United States had contributed twelve dollars then, (\$11.96 to be exact), we could have wiped out the debt altogether.

On June 30, 1919, the national debt had jumped, because of the war, to twenty-five and a half billions. Then it would have cost us each \$246.09 to pay off. In the war years the debt increased more than it has during all the expensive years of the depression.

About a billion dollars of the government's receipts are now required to pay the interest on the national debt. About sixty per cent of that amount—\$600,000,000—represents interest on the debt piled up during the World War.

The entire 1938 income tax receipts from Alabama, Arizona, Arkansas, Colorado, Connecticut, Delaware, The District of Columbia, Florida, Georgia, Idaho, Indiana, Iowa, Kansas, Louisiana, Maine, Mississippi, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota,

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Oklahoma, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Utah, Vermont, Virginia, Washington, West Virginia and Wyoming, amounted to just about \$600,000,000.

Suppose you are a married man, earning \$5,000 a year and paying \$80 a year in income tax. It would take all the taxes of 7,500,000 persons like you just to pay the *interest* on the unpaid balance of the World War bill.

There were less than half that number of income taxpayers in the country this year. Fortunately, many pay much more than \$80 a year and the government has sources of revenue other than the income tax, or it could not keep up those interest payments and operate all its departments too.

But when the next war is over, and the debt interest has risen to a billion and a half, or two billions, Congress is going to have to increase your present taxes and invent a great many new ones.

Let's look at the income tax again. This year a married man with no children paid \$8 tax on an income of \$3,000; for the year 1919, he paid \$60, and even for 1920 he paid five times as much, \$40. On a \$4,000 income, his tax for the first year after the war was \$120, in 1920 \$80, while today it is \$44.

That gives you some idea how your taxes will skyrocket in the years immediately after the next war. A number of Congressmen have been arguing for years that the income tax base should be broadened, which is an economist's way of saying that personal exemp-

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tions should be lowered so that a great many more people would have to pay, and those who pay now will have to pay more. A big war will very probably result in the enactment of that proposal, for it is going to be very difficult to find the money we need.

Besides heavy income taxes during and after the next war, you will be plagued by a host of taxes on luxuries and even necessities. The war revenue act of 1919 imposed taxes running up to 100 per cent on theatre admissions, fur coats, soap, club dues, art works, cameras, perfumes, "dirks, daggers, stilettos and brass knuckles," grape juice, pipes, riding boots, sporting goods and articles such as suitcases, petticoats, shoes, neckties, jewelry, and field glasses, which cost enough to fall into the category of luxuries.

While you are thinking about your post-war Federal taxes, remember that since the World War, state and local taxes have increased tremendously. Take the gasoline tax, which was one of the babies left on our porch by the war. The first state gasoline tax was adopted in Oregon in 1918. It was, from the legislative point of view, an ideal levy. The person who sold the gasoline had to collect it for the state. It was practically impossible for the motorist to dodge it. And persons who had cars were presumably able to pay it.

The idea was adopted enthusiastically by forty-seven other states and the District of Columbia, and last year they collected almost one billion dollars from a source which had not been taxed at all before the last war. Originally the tax was supposed to pay

for the roads the motorists used. But for many years it has been such an inexhaustible source of revenue that most states have made a practice of diverting the money to other purposes.

Since colonial days, Massachusetts has had on its lawbooks an income tax law, but until recently it was not enforced. In 1911 Wisconsin passed a state income tax law. Still, very few states began to copy it until after the war. Today thirty-one states, and even some counties and cities also, collect income taxes. In some cases these state taxes are greater, for the person with moderate earnings, than the Federal income tax.

New York adopted the state income tax in 1919, the year after the war. Since then the yield from it has grown more than three times as great. A New Yorker making \$5,000 a year pays a larger income tax to the state than to the Federal government.

More recent than the gasoline tax or the income tax, but growing rapidly in popularity, is the sales tax. This phenomenon of the depression years has caught on rapidly, and now it is in force in twenty-four states, as well as a number of cities such as New York, where it helps pay for unemployment relief.

With all these new devices of the lawmakers, you will go into the next war bearing a burden of state and local taxation immensely greater than you had to carry in 1918. When the war is over and we begin paying for it, the tax load may be as crushing here as it is now in Germany, where thirty per cent of

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the national income goes to the government in taxes.

All these forecasts of your war bill are based upon the optimistic premise that the United States will win the next war. Every reader of this book no doubt, endorses that assumption. No matter how vivid your imagination may be, you cannot quite imagine enemy troops landing on our coast, driving back our armies, wrecking our cities and forcing us to sue for peace at any cost.

But your enemy in the next war will have the same faith in the invincibility of his nation. And one of you will be wrong. It may be you.

Centuries before the birth of Christ, when the immense hosts of the Persians marched upon Athens, you would not have found one man in Persia who believed that the outnumbered Athenians would rout the army that had conquered the East.

The Southerners who enlisted under the banner of the Confederacy rode away believing that in a few weeks or months they could beat the despised mechanics and farmers of the North. Napoleon was invincible until he rode to Waterloo. In 1914 the Germans, with the most magnificent military machine in Europe, were certain they and their allies could defeat the combined armies of the rest of Europe as quickly as they defeated France in the Franco-Prussian War.

To come much closer to home, the United States entered the War of 1812 quite confident that it could capture Canada and win a quick victory. We did not

conquer Canada, but British troops landed on the Patuxent River, marched to Washington almost without a fight and burned the public buildings of our capital. Of course, that was a long time ago. We have a real Navy now, and coast artillery and airplanes to defend our coast. But we were invaded during a war we were certain we would win.

When we decided to make peace, England at first demanded some of our territory. She wanted a pledge that we would never fortify our Canadian border, though England was to be allowed to build forts on her side. The American peace commissioners did not meet those demands, but on the other hand the treaty did not give us the protection to our shipping which was our main object in the war.

So don't be too sure we can defeat any combination of enemies that we may meet in the next war, or that if we win we will do all our fighting on foreign soil. We could be invaded, as we were more than a century ago. We could lose the war and forfeit some of our territory and as much of our wealth as the victor could extort from us. Don't forget that possibility when you are considering your bill for the next war.

Inflation

Death and taxes are two of the certainties of the next war. Post-war inflation is a possibility. Practically every European country experienced inflation to some painful degree after 1918. Many economists have been

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prophesying that the unbalanced Federal budget and the huge expenditures of the Roosevelt administration are signs of coming inflation here, even without a war. Not being an economist, I do not know whether they are right or wrong. But if the chances of peace-time inflation are enough to cause alarm, the probabilities of inflation after the enormous economic losses of the next war will certainly be ominous.

In Germany after the war the inflation started slowly—so slowly that many persons knew only that the cost of potatoes and cabbage was going up, that wages didn't seem to stretch quite as far as they once did. We had the same experience after the war. Everybody complained about the high cost of living. There was a "buyers' strike" and people who could easily afford new clothes went around in old ones because it was the smart thing to do.

In the United States prices came down after a while. In Germany they continued to creep upward through 1919, 1920 and 1921. Wages, too, increased, but not so rapidly as prices. The income of persons living on annuities, pensions and income from bonds and bank deposits did not rise at all and it became increasingly difficult for them to pay their rent and buy food.

German hausfraus stopped talking about their children when they met on the way to market. They asked each other, "What is the mark today?" Fearfully they said, "It can't go any lower, can it?"

But the inflation up to the end of 1921 was nothing compared with the wild nose-dive of the mark in 1922

and 1923. The government had to print notes of greater and greater face value—1,000 marks, 5,000, 50,000, 500,000, 1,000,000—and each domination would in turn disappear because you could no longer buy even a postage stamp with it. The million-mark notes had been out only two weeks when they had to be surcharged with a new value—10,000,000 marks.

Issue after issue of postage stamps was turned out. Old stamps were surcharged as the values on them became obsolete. At the end of inflation you could buy a stamp with a face value of 50 billion marks. Before the war, if you had owned 50 billion marks, you would have been worth \$12,000,000.

By the summer of 1923, anyone with a fixed income was a pauper. Wages were being adjusted from week to week so that they would represent something near their original buying power. Persons who owned money hunted for their creditors to pay them in almost worthless paper, and the creditors hardly dared appear on the streets for fear they would be paid.

Germany went on a huge, insane spending orgy. Thrift had become folly, for if you held on to any of your millions of paper marks, they would soon be worthless. As soon as men were paid their wages, they or their wives would rush to the stores to buy, while the money could purchase anything. Even so, in the time it took them to get to the stores, prices would go up still further, for at the end they were being marked up every hour.

You might walk into a store and find a bachelor

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buying a dozen dolls. You might see a laborer buying a bolt of silk, or a scrubwoman investing in an encyclopedia or a violin. Often there were such runs on stores that they had nothing useful to offer their customers, but that didn't matter to the people who were trying to get rid of their money. They would buy anything.

Storekeepers, too, had to get rid of what they took in, and with everyone spending money they added to their establishments. New, imposing buildings went up and were paid for in the inflated money.

The one thing people were reluctant to spend their bad money on was food. They stinted on that so much that sickness from malnutrition spread throughout the country. Everyone wanted something tangible, no matter how useless it was to them—something that might be worth real money when the inflation ended.

Laws were passed forbidding all transactions in foreign currency, but they were broken. Travelers changed their dollars or their pound notes into marks one at a time so they could spend the proceeds immediately, and money-changers set up booths on streets in all German cities.

In the summer of 1923 the overworked printers struck, and the Reichsbank had to close until they returned and started rolling money off the presses again. The Berlin subways closed in that summer too because of the shortage of change.

In November, 1923, when the mark was wiped out and a new currency system was instituted, a dollar in

Germany was worth four trillion, two hundred billion marks. More effectively than revolution could have accomplished it, the wealth of Germany had changed hands, thrift had been rewarded with bankruptcy and most of the public and private debt had been paid off.

The world has never seen currency inflation as mad and ruinous as that. But there have been other inflations in the past sufficient to wipe out lifetime savings and plunge nations into confusion and misery. One was the depreciation of the American Continental notes after the Revolution, another the collapse of the French assignats a short time afterward. The paper money issued by the Confederacy was worth so little as the war drew toward its close and, at the same time, there was such a shortage of food and other necessities in the South that in Richmond in 1864 shoes cost \$125 a pair, flour \$275 a barrel, wood \$50 a cord and humble turnip greens \$4 a peck.

Returning again to Europe after the World War, Germany was not the only nation to experience inflation. The currency of Austria, Hungary and Poland depreciated almost as much as Germany's. The Russian ruble went down to microscopic proportions before a new and artificial currency for home consumption only was established. The Italian lira dropped in value and for years after the war Americans with small incomes were able to live in great comfort in Paris on all the depreciated francs their dollars would buy.

All these nations were among the heavy sufferers

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from the war. You can be certain, then, that the longer our next war continues, the more money we pour into it and the greater our national debt grows, the closer we will come to post-war inflation.

The End of Democracy?

If we do have a severe inflation, look out for a political explosion.

For the years following the next war will be years of widespread unrest and discontent with the government which, as we shall put it, led us into war. Taxes will be heavy, unemployment will be great, salaries will be low and living costs will be high. There will be very little you can do about these economic results of war, and your only means of protest will be a political one. The emotional climate will be favorable as seldom before to the growth of radical and crackpot political movements. You will be fortunate if none of them sweeps the nation.

As the writers of the preceding chapters have told you, when the war ends, you will be living under a military dictatorship. The Federal government will be regulating the nature of your employment, your hours of work, your wages, your diet, the investment of your money your thoughts and your emotions. Peace will find us with a government enormously more powerful and expensive than it is even now.

Since the far distant day when all the records of the Federal government were moved to the new capital at Washington in a few trunks, the central gov-

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ernment has been growing steadily. National emergencies have always accelerated this process, and when each emergency is over, some of the new "temporary" bureaus and boards have become permanent institutions.

Look back only a few years at the new agencies established during the depression, which administration spokesmen constantly tell us is an emergency as grave as war. There are the RFC, PWA, WPA, CCC, SEC, NLRB, HOLC, TVA, USHA, FDIC, NYA, FSCC, FSA, NEC, USIS, NRS, REA, AAA, FCA, and FSA. The chances are ten to one that you don't know what boards, authorities, administrations and corporations all those initials stand for.

They have provided jobs for thousands of men and women who naturally cling to the payroll with all their strength. There is not the slightest indication that any of these new agencies will go out of business in the near future. The end of the emergency that brought them into existence is nowhere in sight, and many of them are being put on a permanent basis in the President's reorganization plans.

There is good reason to believe that a great many of the new government branches established during the next war will continue to function when peace comes, for a time at least. The government must necessarily control the change-over of industry from a war to a peace basis, and it will do so with the hearty endorsement of business men. Should the President and Congress desire it, this supervision may evolve into

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national economic planning, with the government deciding how many shoe factories, textile mills and blast furnaces there shall be to supply the nation's demands.

If the stagnation of world trade which must result from the enormous destruction and waste of the war overtakes us soon after the war ends, the case for continued government supervision of the industries it has been directing will be even more compelling.

At best, you will inherit from the war an enormous, complex and well-entrenched bureaucracy in Washington, over which you will have but feeble control through your elected representatives in Congress. At worst, that bureaucracy may be converted into the machinery of a totalitarian government. The concentration camps built to receive alien enemies during the war can be filled with an American dictator's political enemies when peace comes. The immensely important propaganda organization set up to control the newspapers, radio, movies, theatres, magazines and book publishers can be impressed into his service. The informers who have been spying on their neighbors during the war will be ideal material for a secret police system.

It will be an extremely tempting set-up, and if someone does not take advantage of it, that will not be for any lack of candidates for the job of dictator. There are plenty of them going about the country now declaring that democracy is a failure, encouraging race and class hatred, trying to make political

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capital of the general discontent resulting from the depression.

The more dependent you are upon the government, the greater is your susceptibility to the idea that the government is more important than the individual. That is the belief that the people of Germany, Italy, Russia and the other totalitarian governments of Europe have accepted, willingly or through force. The American idea has always been that the rights of the individual come before the rights of government—that the government is your servant, not that you are the government's servant. But you can see today how individual self-reliance is disappearing in the United States.

You look to Washington to give you a WPA job when you can find no private employment. You expect the government to protect you from bad investments, whereas twenty years ago you were forced to exercise your own intelligence in safeguarding your money. The government will pay you off if your bank fails, lend you money to build a home, arbitrate your industrial disputes, tell you how much wheat or cotton you may plant, promise to make your old age secure. It will even build an apartment for you if you live in a tenement and cannot afford decent living quarters.

Many of these new functions of the government are desirable and necessary, for every phase of life has become so immeasurably complicated that it is difficult for all except the most astute individuals to

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meet alone the many emergencies that arise in their lives. You admire the courage and hardihood of your ancestors who conquered the wilderness, plowing their fields with rifles slung over their shoulders, making their own cloth and shoes and cornmeal. But the dangers and problems they faced were simple and primitive ones, easily understood and solved. If any of those pioneers could return to Twentieth Century America, he would be overwhelmed by the complexities of modern life. Even the ablest man employs experts to help him invest his money, safeguard his legal rights and attend to all the matters requiring special knowledge which he may lack. You, individually, haven't the means to hire these specialists, so you have to pool your resources with millions of others and employ them in your government. More and more you are delegating authority to them.

The next war will, like the last one, rob you of a great part of the self-reliance and initiative which you still retain. Whether you are in the military forces or in civil life, you will become accustomed to obeying orders and letting someone else worry about the problems of shelter, food and clothing. It is very easy to give up the difficult work of planning your own life, and fall into a state of pleasant mental laziness as any war veteran knows.

So, after the next war, you and millions like you will have learned the habit of obedience. Amid the bewilderments and discouragements of post-war America, you may easily fall victim to some political con-

fidence man who will promise to do all your thinking for you and solve all your problems if you will elect him and give him full authority.

In my opinion, the period of most acute danger to our liberties will come not immediately after the war but a year or several years later, during the post-war depression. When the signing of the Armistice ended the World War, our first impulse was to get back to a peace time basis as quickly as possible. The all-powerful War Industries Board lasted only about six weeks. Dollar-a-year men hurried back to their neglected businesses from Washington. Food regulations were quickly rescinded, and it was not long before even the parades of returning troops became a tiresome anachronism in the peace time United States.

Next time, because the nation will be much more thoroughly mobilized, the war regulations will remain in effect much longer. But I believe the temper of the United States in the first months of peace will be opposed to any attempt to make the war time dictatorship permanent, and even a man who would be dictator must, in the beginning, bow to the popular will.

The two earliest dictatorships in Europe after the World War—the Russian “dictatorship of the proletariat” which eventually became the dictatorship of Josef Stalin, and the Fascist dictatorship in Italy—grew out of upheavals in countries far more exhausted by the war than the United States. It does not seem possible that the next war will result here in such a

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breakdown of supply as that which led to the revolt of the Russian army in 1918, nor such immediate post-war demoralization as that which led to the Communist revolt and the Fascist counter-revolution in Italy.

But eventually there will be political and social turmoil here. When the war is over, you—particularly if you are a civilian—will be left with volcanic unexpended stores of the hatred which the propagandists have been cultivating in you. You will be filled with fear of the future. You will resent the crushing burden of taxation. Hatred, fear and resentment are the motivating forces of authoritarian government.

Let us look, for example, at the amazing rise of power of Hitler, the man whom the whole world, after the comic-opera beer-cellar putsch in Munich, regarded as a figure ludicrous and futile as Charlie Chaplin. When he came out of prison with a blueprint for revolution and world conquest in "Mein Kampf," Hitler cunningly cultivated all the German people's class and racial hatreds, all their fears of a Communist revolution, all their intense resentment of the Treaty of Versailles, all the longing for security and faith in an unsafe and disillusioned nation.

He gave Germany a scapegoat for the loss of the war—the "alien" Jews. He fomented mutual distrust among capitalists, working men and the middle classes, and at the same time promised all of them that National Socialism would end their troubles. He assured them that Germany, betrayed by enemies within dur-

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ing the war, was still destined to become the ruler of the world. He appealed to the finest aspirations and the worst vices of the people he understood so well, and they gave their destiny and their freedom into his hands.

Fortunately for you, there was no American Hitler here after the World War, though there have been and still are some poor imitations. There was no one to canalize the ugly outbreaks of hatred that came with peace to your country. Perhaps that alone saved democracy then.

For the United States after the war was an ugly place. There was an hysterical "Red" scare, fomented by some of our national leaders, and seized upon everywhere by unscrupulous men to put down labor disturbances growing out of the depression. There were race riots between Whites and Negroes in cities to which many Negroes had migrated as war workers. The Ku Klux Klan fostered a movement against Negroes, Jews and aliens which, exactly like Hitler's racial doctrine, was based on the promise that one "race" is inherently superior to all others. Added to all of this was resentment because our allies had betrayed our idealism when peace was made, which led to a period of disillusionment expressed in our plays and books and in the apathy with which we regarded political corruption.

Imagine all these factors present here in even greater degree when the next war ends. And then imagine

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how easily some man speaking the language of the most ignorant, disappointed and malicious section of our population could follow the methods so clearly demonstrated by Hitler to direct all these ugly forces into a movement which would sweep him into power.

We have already had one American dictator who seized an entire state and ran it without even giving the customary lip-service to democratic ideals. If Huey Long had not been killed, he might conceivably have extended his power to the whole nation, as he had already extended it to neighboring states.

To the educated, Long appeared to be a mountebank, just as Hitler once seemed a clown. His ranting speeches and his share-the-wealth movement sounded ridiculous to the thoughtful, but they were cleverly calculated to appeal to the most ignorant voters, who happen to constitute a majority. Long was no fool, as the men who heard him argue in Supreme Court and saw him maneuver his forces in the Legislature realized.

There have been, of course, other politicians who have ruled whole states as despotically as Long ruled Louisiana. But these others found it expedient to pretend that they were just the servants of the people. Long jeered at democratic processes. He bragged, "I'm the Constitution of Louisiana." He let all the world see him run his puppet Legislature, jamming through bills without even a reading. He brazenly rewrote the election laws so that he and he alone counted

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the votes. He swaggered around with bodyguards who pinioned the arms of his opponents while he beat them.

If that could happen in Louisiana only a few years ago, it can happen in the whole United States, and the opportunity will never be better than in the years after the next war. The next time you march off to fight for democracy, you may be marching not to democracy's victory but to its destruction.

THE END

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